華邦科技控股有限公司
HUABANG TECHNOLOGY HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*
*(Stock code: 3638)*

# 2021
# ANNUAL REPORT

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. George Lu *(Chief Executive Officer and Chairman)*
Ms. Shen Wei *(appointed on 15 January 2021)*

## NON-EXECUTIVE DIRECTOR

Mr. Pang Chung Fai Benny

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Loo Hong Shing Vincent
Mr. Zhu Shouzhong
Mr. Li Huaqiang

## AUTHORISED REPRESENTATIVES

Mr. Wong Kwok Ming
Mr. George Lu

## COMPANY SECRETARY

Mr. Wong Kwok Ming

## AUDIT COMMITTEE

Mr. Loo Hong Shing Vincent *(Chairman)*
Mr. Zhu Shouzhong
Mr. Li Huaqiang

## REMUNERATION COMMITTEE

Mr. Loo Hong Shing Vincent *(Chairman)*
Mr. George Lu
Mr. Li Huaqiang

## NOMINATION COMMITTEE

Mr. Loo Hong Shing Vincent *(Chairman)*
Mr. George Lu
Mr. Li Huaqiang

## CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Kwok Ming *(Chairman)*
Mr. George Lu
Mr. Loo Hong Shing Vincent

## REGISTERED OFFICE

PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

33/F, Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Kowloon, Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Everbright Bank Co., Ltd. Hong Kong Branch
China Merchants Bank Co., Ltd. Hong Kong Branch
Chiyu Banking Corporation Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

# CORPORATE INFORMATION

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## LEGAL ADVISERS TO THE COMPANY

*As to Hong Kong law*
Simmons & Simmons
30/F, One Taikoo Place
979 King's Road
Hong Kong

*As to Cayman Islands law*
Maples and Calder (Hong Kong) LLP
26/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

## AUDITOR

Baker Tilly Hong Kong Limited
*Certified Public Accountants*
2/F, 625 King's Road
North Point
Hong Kong

## STOCK CODE

3638

## COMPANY WEBSITE ADDRESS

www.huabangtechnology.com
(information contained in this website does not form part of this report)

# FINANCIAL SUMMARY

## FINANCIAL SUMMARY

A summary of the results and of the financial position of the Group for the last five financial years is set out as follows:

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Results** | | | | | |
| Revenue | **2,023,680** | 933,638 | 844,552 | 683,410 | 836,542 |
| Gross profit | **62,756** | 66,157 | 56,330 | 55,967 | 34,221 |
| (Loss)/Profit before income tax | **(105,910)** | 15,339 | (37,576) | 13,172 | 6,312 |
| (Loss)/Profit for the year | **(93,448)** | 9,742 | (34,717) | 9,211 | 5,389 |
| (Loss)/Profit for the year attributable to owners of the Company | **(93,108)** | 5,607 | (34,717) | 9,211 | 5,389 |
| **Financial position** | | | | | |
| Total assets | **935,989** | 1,061,936 | 813,916 | 607,643 | 414,029 |
| Total liabilities | **402,113** | 435,013 | 178,594 | 68,602 | 4,204 |
| Total equity | **533,876** | 626,923 | 635,322 | 539,041 | 409,825 |

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Huabang Technology Holdings Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2021 (the "Current Year") for shareholders' review.

During the year under review, the Group was principally engaged in computer and peripheral products business and financial services business. The financial services business that the Group operates mainly includes (i) securities brokerage business; (ii) advisory services business; and (iii) money lending business.

Looking back to the year, the outbreak of novel coronavirus ("COVID-19") epidemic has generated unprecedented challenges to the global economy and also brought uncertainties to the overall business environment during the year under review. Under such unfavorable economic and market situation, there were numerous challenges in the industry which the Group operates. In view of such market conditions, the Group put effort to adopt a prudent and robust business strategy, developed in a steady manner and minimised the impact of such economic and financial market fluctuations. The management has been dedicated to building customer base and exploiting business opportunities in the computer and peripheral products business and financial services business. During the year under review, the Group's total revenue for the year was approximately HK$2,023.7 million, being an increase of approximately HK$1,090.1 million when compared to the previous year of approximately HK$933.6 million. The loss for the year attributable to owners of the Company amounted to approximately HK$93.1 million when compared to the previous year's profit attributable to owners of the Company of approximately HK$5.6 million.

The Group continued to maintain robust business strategies and keep on tight control of its operations and focused on enhancing operation efficiency and implementing various cost control measures during the year. The management continued to devote substantial efforts in maintaining a healthy balance sheet. The Group also managed to enhance its long-term and close business relationship with customers and obtained full support from them while effectively satisfying their needs at the same time. The Group will continue to monitor the market trends and take prompt and appropriate actions to adjust our business strategies and allocate resources effectively under different market conditions.

Looking ahead, we are confident in the future development of the Group. There are signs of economy recovery being shown and most countries around the world have introduced measures to stimulate economic growth. We aim to continue to execute well and strive to make continuous improvements in the years to come. The Group will mark the People's Republic of China (the "PRC"), particularly in the Greater Bay Area, as its major market and will adhere to the strategy of lifting its market share and competitiveness through integration and improvement of its overall team strength. The Group will adhere to our principle of steady development, and positively cope with any challenges and capture suitable opportunities. The Group will continue to prudently examine any market opportunities to improve profitability and enhance capital functioning of the Group. The Group will also continue to dedicate to exploiting new business opportunities from time to time, in order to further diversify and broaden revenue sources of the Group and generate fabulous returns and long-term values for the Shareholders.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, investors, business associates and customers for their great support and trust, and to our Directors, management and all staff for their invaluable effort and contributions!

**George Lu**
*Chairman*

Hong Kong, 22 June 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECT

The Group was principally engaged in (i) computer and peripheral products business and (ii) financial services business.

### (i) Computer and peripheral products business

During the year under review, the global market has been sluggish and volatile due to the ongoing China-U.S. trade war, the COVID-19 pandemic and the global economic slowdown. The Group operates in the computer and peripheral products industry which is dynamic and competitive and there have been constant changes in new technologies in the industry. The industry was challenging and the overall market competition was intensive during the year under review. Attributed to these market conditions, the Group effectively made good use of business and management strategies and appropriate inventory management to reduce the risk arising from the rapid changes of the market. The well-established relationship with vendors, customers, business, network and competent management team enable the Group to overcome these challenges. The Group's overall revenue in the business segment of computer and peripheral products increased accordingly during the year under review, increased from approximately HK$904.0 million to approximately HK$1,976.3 million, representing an increment of approximately 118.6%. In view of such market conditions, the Group continuously keeps on tight control of its operations. The Group focused on enhancing operation efficiency and implementing various cost control measures. The Group also managed to further enhance its long-term and close business relationships with suppliers and customers. The Group continues to monitor the market trends and takes prompt and appropriate actions to adjust our business strategies and allocates resources effectively under different market conditions.

### (ii) Financial services business

The financial services business segment that the Group operates mainly includes securities brokerage business, advisory services business and money lending business. For the year ended 31 March 2021, the Group recorded an overall revenue of approximately HK$47.3 million (2020: approximately HK$29.6 million) and an operating profit of approximately HK$21.9 million (2020: approximately HK$14.4 million) for the business segment of financial services business.

The global economic and financial market continued to fluctuate and the China's economic slowdown which brought uncertainties to the overall business environment. During the year under review, the Group recorded a revenue of approximately HK$29.4 million (2020: approximately HK$17.5 million) and an operating profit of approximately HK$10.8 million (2020: approximately HK$6.1 million) respectively in respect of the Group's securities brokerage business. The revenue as at 31 March 2021 was nil (2020: nil) and the Group recorded an operating loss of approximately HK$0.5 million (2020: approximately HK$2.4 million) respectively in respect of the Group's advisory services business.

The Group engaged in money lending business through an indirect wholly-owned subsidiary of the Company, which holds a money lender licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. The Group is able to engage in the provision of loan financing including but not limited to personal loans and business loans under the scope of Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group recorded a revenue of approximately HK$17.9 million (2020: approximately HK$12.1 million) and an operating profit of approximately HK$11.6 million (2020: approximately HK$10.7 million) in respect of the Group's money lending business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LOOKING AHEAD

The outbreak of COVID-19 epidemic has generated unprecedented challenges to the global economy. However, with the recent implementation of vaccine programme for COVID-19, signs of recovery are shown and most countries around the world have introduced measures to stimulate economic growth. The Group will continue to closely monitor the development of COVID-19 on the industries the Group operates in, and plan proactively to its impact on the financial position and operating results of the Group.

Looking ahead, the management are confident in the future development of the Group. The Group will continue to adhere to our principle of steady development, and positively cope with any challenges and capture suitable opportunities. The Group will continue to dedicate to exploiting new business opportunities in other sectors from time to time, such as other financial services sectors or other business sectors, in order to further diversify and broaden revenue sources of the Group and generate fabulous returns and long-term values for the Shareholders.

## FINANCIAL REVIEW

### Revenue and Gross Profit Margin

Revenue by business segments for the Group's revenue for the year ended 31 March 2021 is as follows:

- Computer and peripheral products business: approximately HK$1,976.3 million, being an increase of approximately HK$1,072.3 million when compared to the previous year of approximately HK$904.0 million

- Financial services business (including securities brokerage business, advisory services business and money lending business): approximately HK$47.3 million, being an increase of approximately HK$17.7 million when compared to the previous year of approximately HK$29.6 million

The Group's total revenue for the year was approximately HK$2,023.7 million, being an increase of approximately HK$1,090.1 million when compared to the previous year of approximately HK$933.6 million. The increase was mainly attributable to increase in revenue derived from computer and peripheral products business.

Gross profit margin for the year was approximately 3.1% (2020: approximately 7.1%). Decrease in gross profit margin was mainly caused by the relatively lower gross profit margin earned from computer and peripheral products business for the year.

### Selling Expenses

The increase in selling expenses by approximately HK$0.6 million was mainly due to the increase in employee benefit expenses.

### General and Administrative Expenses

General and administrative expenses for the year decreased by approximately HK$1.5 million from the year ended 31 March 2020 (the "Last Corresponding Year"), which was mainly due to the decrease in short-term lease rentals of premises of approximately HK$1.8 million, entertainment expenses of approximately HK$0.6 million and travelling expenses of approximately HK$0.6 million which was partially offset by the increase in legal and professional fees.

**Expected Credit Loss on Financial Assets, net**

The increase in expected credit loss on financial assets by approximately HK$101.2 million was mainly attributable to increase in expected credit loss incurred from account receivables, mainly due to the issue of recoverability as a result of the global economic slowdown.

**Other (Expenses)/Income and (Losses)/Gains, net**

The Group's other expenses and losses for the year was approximately HK$1.8 million, as compared to the other income and gains in previous year of approximately HK$11.2 million. The change was mainly due to the decrease in finance income of approximately HK$9.1 million and the increase in unrealised loss on the change in fair value of equity investments at fair value through profit or loss of approximately HK$2.2 million during the year.

**Finance Costs**

Finance costs for the year was approximately HK$7.9 million, being a decrease of approximately HK$1.6 million when compared to the previous year of approximately HK$9.5 million. The decrease was mainly attributable to a relatively lower average bank borrowing interest rate during the year.

**Income Tax Credit/(Expense)**

Income tax credit for the year was approximately HK$12.5 million (2020: income tax expense of approximately HK$5.6 million). The change was mainly due to the decrease in the assessable profits and increase in deferred tax assets for the year.

**(Loss)/Profit for the Year**

The Group recorded loss of approximately HK$93.4 million for the Current Year, as compared to profit of approximately HK$9.7 million for the Last Corresponding Year.

**(Loss)/Profit for the Year Attributable to Owners of the Company**

The loss for the year attributable to owners of the Company amounted to approximately HK$93.1 million (2020: profit attributable to owners of the Company of approximately HK$5.6 million), resulted in a basic loss per share for the year of HK2.14 cent (2020: basic earnings per share HK0.13 cent) and diluted loss per share for the year of HK2.14 cent (2020: diluted earnings per share HK0.13 cent).

**Inventories, Loan Receivables and Account Receivables**

The Group has enhanced the inventory control policy to manage business risks associated with its principal activities. Inventories as at 31 March 2021 was approximately HK$13.7 million (31 March 2020: approximately HK$60.9 million). The overall inventories turnover days remained healthy and reasonable for the year under review. The Group recorded an impairment of inventories of approximately HK$1.7 million for the year ended 31 March 2021.

As at 31 March 2021, the Group's loan receivables amounted to HK$180.6 million (31 March 2020: approximately HK$179.4 million), which arise from its money lending business in Hong Kong. The Group recorded an expected credit loss of approximately HK$5.9 million for the year ended 31 March 2021.

The Group continues to closely monitor the settlements from its customers on an ongoing basis to manage the credit risk from time to time. The Group's account receivables decreased by approximately HK$56.7 million, from approximately HK$283.0 million as at 31 March 2020 to approximately HK$226.3 million as at 31 March 2021. The Group recorded an expected credit loss on trade receivables and cash client receivables of approximately HK$88.0 million and approximately HK$12.4 million respectively for the year ended 31 March 2021.

During the year ended 31 March 2021, for trade receivables with gross carrying amount of HK$87,677,000 in total, majority of which has been past due over 180 days, a full provision had been made after the Group's assessment on the relevant customers' financial background, repayment abilities, expected future cash flows; and taken consideration of their non-response to collection activities. Based on our understanding, the COVID-19 outbreak has generated challenges for some companies in manufacturing and trading business. Consequently, the customers failed to obtain sufficient cashflow from operating business and to repay the amount owing to the Group. The provision for credit-impaired debtors of HK$87,677,000 was mainly related to a customer with gross carrying amount of HK$81,610,000 which full provision had been made. The Group had commenced legal proceedings against this customer; up to date, legal proceedings are still in progress, the first hearing for the case is expected to be conducted in September 2021.

**Liquidity, Financial Resources, Working Capital and Treasury Policy**

The Group maintained a solid financial position during the year. As at 31 March 2021, cash and cash equivalents of the Group amounted to approximately HK$68.3 million (31 March 2020: approximately HK$117.7 million), and the Group's net assets amounted to approximately HK$533.9 million (31 March 2020: approximately HK$626.9 million). As at 31 March 2021, there was approximately HK$346.8 million outstanding borrowings balance (31 March 2020: approximately HK$342.8 million).

As at 31 March 2021, non-current assets of the Group amounted to approximately HK$341.5 million (31 March 2020: approximately HK$345.4 million), the Group's current assets amounted to approximately HK$594.5 million (31 March 2020: approximately HK$716.6 million), and net current assets as at 31 March 2021 amounted to approximately HK$192.5 million (31 March 2020: approximately HK$282.4 million). As at 31 March 2021, the current ratio was approximately 1.5 (31 March 2020: approximately 1.7) (calculated by dividing the total current assets by total current liabilities).

The Group's 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (the sum of total equity and net debt), as shown in the consolidated statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits. The gearing ratio as at 31 March 2021 was approximately 30.7% (31 March 2020: approximately 22.7%).

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's financial resources are sufficient to support its business operations.

**Capital Structure and Fund Raising Activities**

The capital of the Company comprises only ordinary shares.

No fund raising activities were conducted by the Company during the year.

As at 31 March 2021 and 2020, the number of ordinary shares of the Company in issued and fully paid was 4,384,782,000.

**Capital Commitments**

Other than disclosed in Note 36 to the consolidated financial statements, the Group had no other capital commitments as at 31 March 2021.

**Pledge of Assets**

As at 31 March 2021, the Group's other borrowings of HK$10.3 million and bank borrowings of HK$321.5 million are secured by financial assets at fair value through profit or loss with carrying value of HK$8.1 million and the Group's owned properties situated in Hong Kong of HK$254.3 million and pledged bank deposits of HK$41.4 million.

As at 31 March 2020, the Group's bank borrowings of HK$233.0 million are secured by mortgage over the Group's owned properties situated in Hong Kong of HK$263.8 million. In addition, the Group's bank borrowings of HK$80.2 million are secured by pledged bank deposits of HK$40.9 million.

**Foreign Currency Exposure**

The Group in exposed to certain foreign currency risk primarily with respect to Renminbi ("RMB") and United States dollar ("US$") as most of the transactions are denominated in Hong Kong dollar ("HK$"), RMB and US$. The Group is exposed to foreign exchange risk primarily through expenses transactions that are denominated in currencies other than the functional currencies of the group companies. During the year, the Group generated a foreign exchange loss of approximately HK$1.0 million (2020: gain of approximately HK$0.9 million). The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments and ensures that the net exposure to foreign exchange risk is kept to an acceptable level. During the year, the Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure as not significant. The Group will continue to manage the net exposure of foreign exchange risk to keep at an acceptable level from time to time.

**Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2021.

### Employees and Emolument Policy

As at 31 March 2021, the Group had a total of 38 employees. Employee benefit expenses, including Directors' remuneration for the year ended 31 March 2021, totally amounted to approximately HK$17.3 million (2020: approximately HK$16.6 million). The Group's remuneration policy is based on position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

### Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2021.

### Change of Company Name

Pursuant to a special resolution passed at an extraordinary general meeting held on 15 April 2021, the shareholders have approved to change the name of the Company from Huabang Financial Holdings Limited to Huabang Technology Holdings Limited. Reference is made to the announcements of the Company dated 18 February 2021, 15 April 2021 and 8 June 2021 and the circular of the Company dated 23 March 2021.

## USE OF PROCEEDS

On 9 September 2013 (the "Listing Date"), the Company completed the placing of 69,000,000 shares of par value of HK$0.01 each at an issue price of HK$0.90 per share. The net proceeds from the placing were approximately HK$36.0 million. The actual use of proceeds up to 31 March 2020 had been disclosed in the Annual Report 2020 and the revised schedule of the plan for the use of proceeds had been disclosed in the annual report 2016 and the interim report 2019 of the Company. A supplemental announcement providing additional information in relation to the use of proceeds was published on 1 September 2020. As at 31 March 2021, net proceeds of HK$36.0 million had been fully utilised.

As at 31 March 2019, 30 September 2019, 31 March 2020 and 31 March 2021, the utilisation of Proceeds was as follows:

| | As at 31 March 2019 | | | As at 30 September 2019 | | | | | As at 31 March 2020 | | As at 31 March 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proposed Application HK$'000 | Actual utilised Proceeds HK$'000 | Unutilised Proceeds HK$'000 | Actual utilised Proceeds HK$'000 | Unutilised Proceeds HK$'000 | Revised allocation of the unutilised Proceeds HK$'000 | Expected use of the unutilised Proceeds for six months ending 31 March 2020 HK$'000 | Expected use of the unutilised Proceeds for year ending 31 March 2021 HK$'000 | Actual utilised Proceed HK$'000 | Unutilised Proceeds HK$'000 | Actual utilised proceed for the year ended 31 March 2021 HK$'000 | Unutilised Proceeds HK$'000 |
| Increase market share | 13,140 | 7,165 | 5,975 | 9,450 | 3,690 | 3,690 | 2,300 | 1,390 | 11,723 | 1,417 | 1,417 | – |
| Strengthen R&D and design capability | 13,860 | 1,841 | 12,019 | 1,885 | 11,975 | – | – | – | 1,885 | – | – | – |
| Enhance quality control and improve production capability | 5,400 | 2,164 | 3,236 | 2,278 | 3,122 | 200 | 200 | – | 2,478 | – | – | – |
| General working capital | 3,600 | 3,600 | – | 3,600 | – | – | – | – | 3,600 | – | – | – |
| Procurement of computer and peripheral products | – | – | – | – | – | 14,897 | 14,897 | – | 14,897 | – | – | – |
| Total: | 36,000 | 14,770 | 21,230 | 17,213 | 18,787 | 18,787 | 17,397 | 1,390 | 34,583 | 1,417 | 1,417 | – |

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTOR

**Mr. George LU**, aged 58, our founder and Chairman of the Group. Mr. Lu has been the Chief Executive Officer ("CEO") of the Group since 2 June 2016. Mr. Lu is also a member of the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee of the Company. Mr. Lu is responsible for the overall management, operations and strategic development of the Group's business and has over eighteen years of experience in the computer and peripheral products industry. Mr. Lu is the spouse of Ms. Shen Wei, the Executive Director and a Controlling Shareholder of the Company. Mr. Lu was the CEO, an executive director and the chairman of the board of directors of Qianhai Health Holdings Limited (stock code: 911), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") from May 2016 to May 2019.

**Ms. SHEN Wei**, aged 57, is a founder of the Group and is the spouse of Mr. George Lu who is the Executive Director, Chief Executive Officer and Chairman of the Company. Ms. Shen had been a Director of the Company since January 2011 and was re-designated as an Executive Director from June 2012 to January 2017. Ms. Shen resigned as an Executive Director in January 2017 and was re-appointed as an Executive Director in January 2021. Ms. Shen is responsible for the overall management and strategic development of the Group. Ms. Shen is also a director and legal representative of Boda Technology (Shenzhen) Company Limited, a wholly owned subsidiary of the Company. Ms. Shen has extensive experience in the computer and peripheral products industry. Ms. Shen studied Pharmacology at the China Pharmaceutical University and graduated with a Bachelor of Science degree in 1987. Ms. Shen also obtained a Master of Science degree in Toxicology from the University of New Mexico in 1991 and worked as a postgraduate researcher in the School of Pharmacy, Department of Pharmacy of the University of California, San Francisco from 1991 to 1994. Ms. Shen had been a non-executive director of Qianhai Health Holdings Limited (Stock Code: 911), a company listed on the Main Board of the Stock Exchange, from May 2016 to January 2017.

## NON-EXECUTIVE DIRECTOR

**Mr. PANG Chung Fai Benny**, aged 48, has been re-designated from an Executive Director to a Non-Executive Director and ceased to be the Vice Chairman of the Company with effect from 12 April 2018. Mr. Pang was re-designated from an independent Non-Executive Director to an Executive Director and was appointed as Vice Chairman of the Company from 26 January 2017 to 12 April 2018. He was an independent Non-Executive Director of the Company from June 2012 to January 2017. Mr. Pang is currently the managing partner of Benny Pang & Co. Between 2012 to January 2017, Mr. Pang was the managing partner of Loeb & Loeb LLP (formerly known as Pang & Co. in association with Loeb & Loeb LLP), a firm of solicitors in Hong Kong. Between 1997 and 2012, Mr. Pang practised as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws (honors) from Bond University, Australia, in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law, Sydney and the University of New South Wales, Australia, respectively. He has been admitted as a legal practitioner of the Supreme Court of New South Wales, Australia since 1997 and as a solicitor of the High Court of Hong Kong since 2009. He is a member of both the Law Society of New South Wales, Australia and the Law Society of Hong Kong. Mr. Pang is currently the independent non-executive director of Sanbase Corporation Limited (stock code: 8501), a company listed on GEM of the Stock Exchange ("GEM"). Mr. Pang is also currently the independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), a company listed on the Main Board of the Stock Exchange. Mr. Pang was appointed as an independent non-executive director of Janco Holdings Limited (stock code: 8035), a company listed on GEM, from 27 September 2019 to 5 May 2021. Mr. Pang was appointed as an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158) ("CRMI"), a company listed on GEM, from 20 September 2012 to 1 June 2018.

On 15 July 2019, Mr. Pang was criticized by the Stock Exchange in relation to his breach of Rule 5.01(6) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and his obligations under the Declaration and Undertaking given by him to the Stock Exchange set out in Appendix 6-A of the GEM Listing Rules, in discharging his duties as an independent non-executive director (which he had retired since 1 June 2018) of CRMI, and for failing to use his best endeavors to procure CRMI to comply with the GEM Listing Rules in relation to certain lending activity conducted by CRMI (the "Criticism"). At all material times, Mr. Pang had raised his concern over the lending activity conducted by CRMI in a numerous occasions, although his recommendations were not accepted. Pursuant to the Criticism, Mr. Pang is directed to complete 24 hours of trainings in relation to the GEM Listing Rules compliance, director's duties and corporate governance matters together with four hours of training on Chapter 19 and Appendix 15 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 8 August 2019 and the supplemental announcement dated 13 August 2019.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LOO Hong Shing Vincent**, aged 55, was appointed as an independent Non-Executive Director in June 2012. Mr. Loo is the chairman of the Remuneration Committee, the Audit Committee and the Nomination Committee and a member of the Corporate Governance Committee of the Company. Mr. Loo has over 33 years of experience in the accounting, auditing, corporate finance and business advisory areas. Prior to joining the Group, Mr. Loo has over 17 years of auditing experience with PricewaterhouseCoopers in Hong Kong. Mr. Loo is currently the vice president, chief financial officer and company secretary of Cosmo Lady (China) Holdings Company Limited (stock code: 2298) since December 2016, a company listed on the Main Board of the Stock Exchange. Before joining Cosmo Lady (China) Holdings Company Limited, Mr. Loo was an executive director, chief financial officer and company secretary of Hengan International Group Company Limited (stock code: 1044), a company listed on the Main Board of the Stock Exchange. Mr. Loo graduated from the Hong Kong Polytechnic University with a Professional Diploma in Accountancy in 1988 and has been an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

**Mr. ZHU Shouzhong**, aged 64, was appointed as an independent Non-Executive Director of the Company on 2 October 2018. Mr. Zhu is a member of the Audit Committee of the Company. Mr. Zhu has over 30 years of substantial operation and management experience in the insurance industry. In 1978, Mr. Zhu joined the Lanxi Branch of the People's Bank of China. Mr. Zhu joined The People's Insurance Company of China ("PICC") in 1984. From 1984 to 2003, Mr. Zhu successively served as the deputy manager and manager of PICC Lanxi Branch, the deputy manager and manager of the Property and Casualty Division of PICC Zhejiang Provincial Branch, the general manager and party committee secretary of PICC Jiaxing Branch, and the deputy general manager and party committee member of PICC Zhejiang Provincial Branch. From 2004 to 2010, Mr. Zhu successively served as the general manager and party committee secretary in Zhejiang Provincial Branch and Shanghai Branch of PICC Property and Casualty Company Limited (stock code: 2328), a company listed on the Main Board of the Stock Exchange, and he was also the vice chairman of Shanghai Insurance Association. In 2010, Mr. Zhu joined China Export & Insurance Corporation, Shanghai Branch as the general manager and party committee secretary and he retired in 2017. Mr. Zhu was awarded "Shanghai Labour Day Medal for Finance Industry" in 2016 by Shanghai Committee of Chinese Financial Workers' Union. Mr. Zhu is a master postgraduate and a senior economist. He graduated from Zhejiang University majoring in finance and obtained a master's degree in business administration from Southern Cross University of Australia.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LI Huaqiang**, aged 63, was appointed as an independent Non-Executive Director of the Company on 1 November 2018. Mr. Li is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Li has served as a non-executive director of China Everbright Bank Company Limited (stock code: 6818), a company listed on the Main Board of the Stock Exchange, between September 2016 to June 2018. Mr. Li worked at Central Huijin Investment Limited ("CHI"), a state-owned investment company established in accordance with the PRC Company Law, and served as director of China Everbright Group Limited. Mr. Li served successively as an engineer of Zhuzhou Smelter Factory of China National Nonferrous Metals Industry Corporation, deputy secretary of the Communist Youth League Committee of the Main Plant, deputy director of the Second Plant and general manager of the joint venture in Shenzhen; assistant general manager and department director of Shenzhen Science and Industry Park Corporation Joint Venture Shenzhen (Moscow); deputy general manager of the Investment Banking Department of Guosen Securities Company Limited; chairman of the board of directors, secretary of CPC Committee and president of Founder Securities Limited; vice president of Huaxi Securities Company Limited and president and deputy CPC committee secretary of China Lion Securities Company Limited; designated director of CHI (serving at China Investment Securities Company Limited); vice chairman of the board of directors of CSC Financial Co. Ltd.; chief head of the First Division of Equity Management of Securities Institutions of Securities Institution Management Department/Insurance Institution Management Department of CHI. Mr. Li holds a Master's degree of EMBA from Peking University. He also obtained an external degree of DBA in Finance from California American University.

## SENIOR MANAGEMENT

**Mr. WONG Kwok Ming,** aged 44, is the Managing Director and Chief Financial Officer of the Group. Mr. Wong is also the chairman of the Corporate Governance Committee of the Company. Mr. Wong is responsible for overall operation management and financial management of the Group. Mr. Wong was appointed as the Chief Financial Officer and the Company Secretary of the Company since 2016. Mr. Wong has over 20 years of experience in the areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance. Mr. Wong has worked at PricewaterhouseCoopers Hong Kong for over 10 years in audit and assurance department covering various industry sectors and he worked at a well-established and sizable manufacturing company as the chief financial officer after he left PricewaterhouseCoopers. Mr. Wong was also an executive director of Qianhai Health Holdings Company Limited (stock code: 911), a company listed on the Main Board of the Stock Exchange, from 2016 to 2019. Mr. Wong possesses a Master Degree in Accounting from Curtin University of Technology. Mr. Wong is a Practicing Certified Public Accountant in Hong Kong. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of The Society of Chinese Accountants & Auditors.

# REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in computer and peripheral products business and financial services business.

## PRINCIPAL SUBSIDIARIES AND INTERESTS IN ASSOCIATES

Details of the principal subsidiaries and interests in associates as at 31 March 2021 are set out in Notes 15 and 16 to the consolidated financial statements respectively.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future development are provided in the Chairman's Statement and the Management Discussion and Analysis on pages 5 to 6 and pages 7 to 13 respectively of this annual report. This discussion forms part of this directors' report. In addition, a summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 63 and 64 of this annual report.

### Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: nil).

### Final dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

## DONATIONS

No charitable donation was made by the Group during the year (2020: nil).

## BORROWINGS

Details of the Group's borrowings as at 31 March 2021 are set out in Note 31 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 24 to the consolidated financial statements.

Details of the shares issued in the year ended 31 March 2021 are set out in Note 24 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company was incorporated which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 39(a) to the consolidated financial statements and the consolidated statement of changes in equity on pages 67 and 68, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for distribution to equity holders, comprising the share premium, contributed surplus, net of shares held for share award scheme and accumulated losses, amounted to approximately HK$560.3 million.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$494.8 million may be applied for paying distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

## DIVIDEND POLICY

The Company has a dividend policy. Under the dividend policy, the Company may declare dividends in any currency to the shareholders but no dividends shall exceed the amount recommended by the Board of Directors of the Company subject to the Companies Law of the Cayman Islands (as amended from time to time) (the "Companies Law") and the memorandum and articles of association of the Company (the "Articles"). In accordance with the applicable requirements of the Company Law and the Articles, no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium.

In accordance with the applicable requirements of the Companies Law and the Articles, the Board may:

(a) from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of the Company;

(b) pay half-yearly or at other intervals to be selected by the Board any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment; and

(c) from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as it thinks fit.

The declaration of dividends is subject to the discretion of the Board, which will take into account, inter alia, the following factors when considering the payment or declaration of dividends:

(a) the Group's actual and expected financial performance and conditions and liquidity position;

(b) the shareholder's interests;

(c) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's expected working capital requirements and future expansion plans;

(f) statutory and regulatory restrictions;

(g) general economic conditions and other internal or external factors that may have any impact on the business or financial performance and position of the Company; and

(h) any other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continue to review the dividend policy and reserve the right in its sole and absolute discretion to update, amend and/or modify the dividend policy from time to time, and the dividend policy shall in no way constitute an assurance or a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend in any particular amount for any given period.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for approximately 56.5% and approximately 84.7% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for approximately 31.2% and 95.0% respectively of the total purchases for the year.

None of the Directors, or any of their close associates or any shareholder (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

## PRINCIPAL RISKS AND UNCERTAINTIES

The directors are aware that the Group is exposed to various risks, including some are specific to the Group or the industries in which the Group operates. The directors managed that significant risks which may adversely affect the Group's performance and ability to deliver on its strategies, as well as those which may present positive opportunities, are identified, reported, monitored, and managed on a continuous basis. The financial risk management policies and practices of the Group are shown in Note 5 to the consolidated financial statements.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. Regular and continuous communication with our suppliers, customers and other stakeholders are carried out through regular meetings, conferences, and promotional events.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining high environmental and social standards to ensure sustainable development of its business. The Group has complied with the relevant laws and regulations in relation to its business including safety workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. The Group has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development. Our commitment to protect the environment is also well reflected by our continuous efforts in promoting green awareness in our daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group encourages the principle of recycling and reducing and put efforts to implement green office practices. Detail of the Group's environmental, social and governance practices are set out in the "Environmental, Social and Governance Report" section in this annual report.

# REPORT OF THE DIRECTORS

## BOARD OF DIRECTORS

The Directors who were in office during the year and up to the date of this report are as follows:

**Executive Directors**
Mr. George Lu *(Chief Executive Officer and Chairman)*
Ms. Shen Wei *(appointed on 15 January 2021)*

**Non-Executive Director**
Mr. Pang Chung Fai Benny

**Independent Non-Executive Directors**
Mr. Loo Hong Shing Vincent
Mr. Zhu Shouzhong
Mr. Li Huaqiang

In accordance with Article 16.18 of the Articles of Association, Mr. Pang Chung Fai Benny and Mr. Li Huaqiang will retire from office by rotation and being eligible, have offered themselves for re-election at the forthcoming Annual General Meeting ("AGM").

In accordance with Article 16.2 of the Articles of Association, Ms. Shen Wei will also retire from office and being eligible, has offered herself for re-election at the AGM.

In accordance with Article 16.3 of the Articles of Association and Code A.4.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, Mr. Loo Hong Shing Vincent, who has served as an independent Non-Executive Director since June 2012 for more than nine years, will retire from office and offer himself for re-election at the AGM. His re-election will be subject to a separate resolution to be approved by Shareholders at the AGM.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 14 to 16 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

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

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in Notes 40 and 32 to the consolidated financial statements respectively.

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

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

**Long positions in ordinary shares of the Company**

| Name of Director | Capacity/nature of interest | Number of issued ordinary shares held | Approximate percentage of issued share capital (Note 3) |
|---|---|---|---|
| Ms. Shen Wei | Interest of controlled corporation (Note 1) | 2,414,552,000 | 55.07 |
| | Beneficial owner (Note 1) | 145,800,000 | 3.33 |
| Mr. George Lu | Interest of spouse (Note 2) | 2,560,352,000 | 58.39 |

Notes:

(1) There are 2,414,552,000 shares were registered in the name of Forever Star Capital Limited ("Forever Star"). Ms. Shen Wei holds 100% interest in Forever Star, a company incorporated in the British Virgin Islands. Ms. Shen Wei is also the beneficial owner of 145,800,000 shares.

(2) Mr. George Lu is the spouse of Ms. Shen Wei, an Executive Director of the Company, and is therefore deemed to be interested in the same parcel of shares that Ms. Shen Wei has interests.

(3) The percentage holding is calculated based on the issued share capital of the Company as at 31 March 2021 comprising 4,384,782,000 shares.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2021, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following interest of which would fall to be disclosed under Divisions 2 and 3 of part XV of the SFO, or the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the shares and the underlying shares as recorded in the register kept under section 336 of the SFO were as follows:

**Long positions in ordinary shares of the Company**

| Name | Nature of interest | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Forever Star Capital Limited | Beneficial owner | 2,414,552,000 | 55.07 |
| Glory Sun Securities Limited | Custodian interest (Note 1) | 346,912,000 | 7.91 |
| Newpont Holdings Limited | Beneficial owner | 231,000,000 | 5.27 |

Note:

(1) According to the information available to the Company, Glory Sun Securities Limited (formerly known as China Goldjoy Securities Limited) is a custodian of a total 346,912,000 Shares.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

On 21 August 2013 ("the date of adoption"), the Company conditionally approved a share option scheme (the "Share Option Scheme") and refreshed on 24 February 2017, under which options will be granted to eligible persons to subscribe for shares of the Company at subscription price which should not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares, provided that for the purpose of calculating the subscription price, where the Company has been listed for less than five trading days, the issue price shall be used as the closing price for any business day falling within the period before listing.

Pursuant to the Share Option Scheme, the participants of the scheme are, inter alia, executive, shareholder of any member of the Group, supplier, customer, consultant, business or joint venture partners, franchisee, contractor, agent, representative or service providers of any member of the Group, as may be determined by the Directors at their absolute discretion. Upon acceptance of the share option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The maximum number of Shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. An option may be exercised at any time during the period commencing immediately after the business day on which the share option is deemed to be granted in accordance with the Share Option Scheme but shall not exceed 10 years from the date of adoption. The Board may, at its absolute discretion, fix any minimum period for which a share option must be held. The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 August 2013.

On 21 December 2016, the Group announced the granting of a total of 288,000,000 share options to selected employees and Directors under the Share Option Scheme. The exercise price of the granted options is HK$0.55 per share. 1,932,000 and 56,666,667 share options were exercised and forfeited during the year ended 31 March 2018 respectively. Reference is made to the announcement of the Company dated 29 June 2018, the Group conditionally granted 85,000,000 share options to a former non-executive Director of the Company under the Share Option Scheme which the grant was subject to acceptance of the grantee and approval by the shareholders in general meeting. Those 85,000,000 share options have not been granted subsequently as the conditions were not being fulfilled. Accordingly, no share options were granted during the year ended 31 March 2019. No share options were exercised by the employees during the year ended 31 March 2019. The number of share options forfeited were 101,500,000 during the year ended 31 March 2019. No share options were exercised by the employees during the year ended 31 March 2020. The number of share options lapsed were 127,901,333 during the year ended 31 March 2020.

No option was granted, exercised or lapsed during the year ended 31 March 2021. Details of accounting policies adopted for the share options are described in Note 3.12 and Note 25(a) to the consolidated financial statements. The total number of Shares available for issue under the Share Option Scheme is 385,656,000 representing approximately 8.80% of the total number of Shares as at the date of this annual report.

## SHARE AWARD SCHEME

On 14 March 2019, the Company adopted the share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including executive directors), consultants or advisers of or to the Group and non-executive directors (including independent non-executive directors) of the Group (the "Selected Person(s)") pursuant to the terms of the Share Award Scheme and trust deed of the Share Award Scheme (the "Trust Deed"). The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 13 March 2029. The Share Award Scheme is subject to the administration of the Board of Directors and the trustee of the Share Award Scheme (the "Trustee") in accordance with the Share Award Scheme and the Trust Deed.

The Board of Directors shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board of Directors under the Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a Selected Person under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Board of Directors may contribute funds to the trust constituted by the Trust Deed (the "Trust") for the purchase or subscription of shares of the Company and other purposes set out in the Share Award Scheme and the Trust Deed. The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed. The Board of Directors may instruct the Trustee to purchase shares of the Company on the Stock Exchange and to hold them in trust for the benefit of the persons who are eligible for the Awarded Shares on and subject to the terms and conditions of the Share Award Scheme and the Trust Deed (the "Eligible Persons"). The Trustee shall not exercise the voting rights in respect of any shares, including but not limited to the Awarded Shares, any bonus shares and scrip shares derived therefrom, held by it under the Trust.

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by the Trustee on behalf of a Selected Person pursuant to the provision of the Share Award Scheme shall vest in such Selected Person in accordance with the vesting schedule (if any) and the Trustee shall cause the Awarded Shares to be transferred to such Selected Person on the vesting date at no consideration.

During the Current Year, no ordinary share of the Company for the Share Award Scheme was acquired (2020: 41,484,000 ordinary shares were acquired through purchases in the Open Market, at a total cost including related transaction cost, of approximately HK$21,135,000). During the Current Year, no Awarded Shares were granted to any Eligible Persons of the Group (2020: nil).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year ended 31 March 2021.

## COMPETING INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

For the year ended 31 March 2021, none of the Directors, controlling shareholders of the Company or any of their respective associates (as defined under the Listing Rules) is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests, which is required to be disclosed under the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2021.

## DEED OF NON-COMPETITION

Each of Forever Star, Mr. George Lu, Ms. Shen Wei and Ms. Lau Wing Sze (together as the "Controlling Shareholders") had entered into a deed of non-competition dated 21 August 2013 (the "Deed of Non-Competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would use his/her/its best endeavours to procure his/her/its associates (except any members of our Group) not to directly or indirectly carry on, engage, participate or hold any right or interest in or render any services to or otherwise be interested and/or involved (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

Details of the Deed of Non-Competition are set out in the section headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" of the Prospectus.

The Company confirms that each of the Controlling Shareholders have complied with the Deed of Non-Competition throughout the year ended 31 March 2021. In order to ensure the Controlling Shareholders have complied with the Deed of Non-Competition, each of the Controlling Shareholders have provided to the Company a written confirmation that (i) in respect of his/her/its compliance with the Deed of Non-Competition for the year ended 31 March 2021 and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (ii) stating that they and their respective associates did not directly or indirectly, carry on or hold any right or interests in or render any services to, or is otherwise involved in, any business which may be in competition with the business carried on by the Group from time to time.

The independent Non-Executive Directors of the Company have also reviewed the status of the compliance by each of the Controlling Shareholders with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the undertakings in the Deed of Non-Competition given by them.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of position, duties and performance of the employees.

The emoluments of the Directors are decided by the board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics.

# REPORT OF THE DIRECTORS

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings according to the Model Code as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 March 2021.

## CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in Note 38 to the consolidated financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float (i.e. at least 25% of the issued shares were held by the public) throughout the Current Year and up to the date of this report.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Current Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 15 April 2021, the shareholders have approved to change the name of the Company from Huabang Financial Holdings Limited to Huabang Technology Holdings Limited. Reference is made to the announcements of the Company dated 18 February 2021, 15 April 2021 and 8 June 2021 and the circular of the Company dated 23 March 2021.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 30 to 40 of this annual report.

## PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2021 and as at 31 March 2021, the Company has purchased liabilities insurance for the Directors and officers, which provides appropriate insurance cover for the Group's directors and officers. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2021.

# REPORT OF THE DIRECTORS

## REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2021 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## AUDITOR

The Company has appointed Baker Tilly Hong Kong Limited as the auditor of the Company with effect from 28 February 2020 to fill the casual vacancy due to the resignation of Ernst & Young.

The consolidated financial statements for the year ended 31 March 2021 have been audited by Baker Tilly Hong Kong Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution to re-appoint Baker Tilly Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

Save as the above, there has been no other change in auditor of the Company in the preceding three years.

On behalf of the Board

**George Lu**
*Chairman*

Hong Kong, 22 June 2021

# CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors. In this regard, a Corporate Governance Committee of the Board has been established with primary responsibility for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

The Company has adopted the requirements under the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company had complied with the code provisions set out in the CG Code for the Current Year, to the extent applicable and permissible.

Accordingly, the Board is pleased to present the Corporate Governance Report for the Current Year.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings according to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all the Directors confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by Directors during the Current Year.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's overall businesses, strategic decisions and performance.

The respective responsibilities, accountabilities and contributions of the Board and the Company's management have been divided through the adoption of a list of matters reserved for the Board (which has been reviewed by the Board annually to ensure that the list would remain appropriate to the needs of the Company), as opposed to other matters which could be delegated to the management from time to time. The list of matters reserved for the Board covers (among other things) the Group's strategy, objectives, business plans, budgets and overall management; changes in capital structure or corporate structure; approval of dividend policy and declaration of interim and final dividends, as appropriate; major investments; and approval of internal policies, codes and guidelines.

Subject to the foregoing, the Board has delegated its powers to the management for the daily management and operations of the Group. In addition, the Board has delegated its powers to the Board committees. The Board has four Board committees, namely the remuneration committee, the audit committee, the nomination committee and the corporate governance committee, each of which discharges its functions and duties in accordance with the respective terms of reference with reference to the relevant provisions under the CG Code.

The Board currently comprises six Directors, with two Executive Directors, a Non-Executive Director and three independent Non-Executive Directors. The Directors who were in office during the Current Year and up to the date of this report are as follows:

**Executive Directors**
Mr. George Lu *(Chief Executive Officer and Chairman)*
Ms. Shen Wei *(appointed on 15 January 2021)*

**Non-Executive Director**
Mr. Pang Chung Fai Benny

**Independent Non-Executive Directors**
Mr. Loo Hong Shing Vincent
Mr. Zhu Shouzhong
Mr. Li Huaqiang

The biographical details of the Directors and relationship between them (if any) are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 16 of this annual report.

The Articles of Association provide that one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management and corporate governance functions. The Executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

Composition of the Board, including names of the independent Non-Executive Directors, is disclosed in all corporate communications to shareholders of the Company.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

## ATTENDANCE OF DIRECTORS AT MEETINGS

The Board held five Board meetings and one annual general meeting for the year ended 31 March 2021.

The attendances of the Directors at various meetings held during the Current Year are set out below:

| | Number of meetings attended/eligible to attend | | | | | |
|---|---|---|---|---|---|---|
| | General meetings | Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings | Corporate Governance Committee meetings |
| Mr. George Lu | 1/1 | 5/5 | N/A | 2/2 | 2/2 | 1/1 |
| Ms. Shen Wei *(appointed on 15 January 2021)* | N/A | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Pang Chung Fai Benny | 1/1 | 5/5 | N/A | N/A | N/A | N/A |
| Mr. Loo Hong Shing Vincent | 1/1 | 5/5 | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Zhu Shouzhong | 1/1 | 5/5 | 2/2 | N/A | N/A | N/A |
| Mr. Li Huaqiang | 1/1 | 5/5 | 2/2 | 2/2 | 2/2 | N/A |

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with A.6.5 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. To further ensure all Directors are adequately informed about the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations, the management provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors received the following training for the year ended 31 March 2021 according to the records provided by the Directors:

| **Directors** | **Training on corporate governance, regulatory development and other relevant topics** |
|---|---|
| **Executive Directors** | |
| Mr. George Lu *(Chief Executive Officer and Chairman)* | ✓ |
| Ms. Shen Wei *(appointed on 15 January 2021)* | ✓ |
| **Non-Executive Director** | |
| Mr. Pang Chung Fai Benny | ✓ |
| **Independent Non-Executive Directors** | |
| Mr. Loo Hong Shing Vincent | ✓ |
| Mr. Zhu Shouzhong | ✓ |
| Mr. Li Huaqiang | ✓ |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Throughout the year ended 31 March 2021, Mr. George Lu is the Chairman and also the CEO of the Company.

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The current Chairman and CEO of the Company is Mr. George Lu. The Board believes that vesting the roles of both Chairman and CEO in the same person will not impair the balance of power and authority between the Directors and the management of the Company. Mr. George Lu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company. The Board is of the view that although the Chairman is also the CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent Non-Executive Directors, all of them have appropriate professional qualification or related financial management expertise. The Company has received a written confirmation of independence from each of the independent Non-Executive Directors. The Company considers that each of the independent Non-Executive Directors is independent.

## TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All the Non-Executive Director and independent Non-Executive Directors have signed letters of appointment with the Company with a term of three years.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each Director of the Company has either entered a service contract with the Company or has an appointment letter. The Directors were appointed for a term of three years unless terminated by either party by a specific months of notice in writing. Under the service contract, the initial annual emoluments of each Executive Director is fixed and the remuneration payable to each of them will be reviewed by the Board each year.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. Pursuant to the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Pursuant to the Company's Articles of Association, at each annual general meeting, one third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one third), shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

## REMUNERATION COMMITTEE

The Board has established a Remuneration Committee with its role and function set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages of the Directors and senior management of the Company to the Board for approval. The Company's remuneration policy is based on position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal system varies according to the positions of the employees. The performance appraisal is supervised by each member of the Remuneration Committee, namely Mr. Loo Hong Shing Vincent (Chairman), Mr. George Lu and Mr. Li Huaqiang.

The Remuneration Committee currently comprises two independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent as the chairman of the Remuneration Committee, Mr. Li Huaqiang and an Executive Director and the Chairman of the Board, namely Mr. George Lu.

During the Current Year, two meeting of the Remuneration Committee was held to make recommendation to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and on the establishment of a procedure for developing policy on such remuneration; and determine or recommend to the Board on the remuneration packages of all the Executive Directors and the senior management, and recommend to the Board of the remuneration of the Non-Executive Directors. All members of the Remuneration Committee attended all meeting held during the Current Year.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration by band of the members of the Directors and senior management of the Company, whose biographies are set out on pages 14 to 16 of this annual report, for the year ended 31 March 2021, are set out below:

| Band of remuneration (HK$) | Number of individuals |
|---|---|
| HK$0 to HK$1,000,000 | 5 |
| HK$1,000,001 to HK$1,500,000 | 0 |
| HK$1,500,001 to HK$2,000,000 | 1 |
| HK$2,000,001 to HK$2,500,000 | 1 |

## NOMINATION COMMITTEE

The Board has established a Nomination Committee with its role and function set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company.

The Nomination Committee is responsible for reviewing the Board composition, Board diversity, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of independent Non-Executive Directors.

The Nomination Committee reviews the structure, size and composition of the Board regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Where vacancies on the Board exist, the Nomination Committee will carry out the selection process based on the Company's nomination policy by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs, the Board Diversity Policy and other relevant statutory requirements and regulations.

The Nomination Committee currently comprises two independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent as the chairman of the Nomination Committee, Mr. Li Huaqiang, and an Executive Director and the Chairman of the Board, namely Mr. George Lu.

During the Current Year, two meetings of the Nomination Committee were held to review the structure and composition of the Board, identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, review of the board diversity policy and revised written terms of reference to the Nomination Committee. All members of the Nomination Committee attended all meetings held during the Current Year.

## BOARD DIVERSITY POLICY

The Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Directors appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

## AUDIT COMMITTEE

The Board has established an Audit Committee with its role and function set out in its written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. All of the committee members are independent Non-Executive Directors with the chairman of which possesses the appropriate professional qualifications and accounting experience. The principal duties of the Audit Committee include the following:

(i) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

(ii) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(iii) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

(iv) To review arrangements which employees of the Company can use to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee currently comprises three independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent as the chairman of Audit Committee, Mr. Zhu Shouzhong and Mr. Li Huaqiang. The Audit Committee held two meetings during the Current Year to review interim results, annual results, financial reporting and compliance procedures, risk management and internal control system of the Group and appointment and re-appointment of the external auditors. Two of the meetings were attended with the Company's independent auditor so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditor. All members of the Audit Committee attended all meetings held during the Current Year.

## CORPORATE GOVERNANCE COMMITTEE

The Board has established a Corporate Governance Committee with its role and function set out in its written terms of reference in accordance with the provisions set out in the CG Code and Corporate Governance Report as set out in the Listing Rules, which are posted on the websites of the Stock Exchange and the Company.

Its primary functions include: (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report as required under Appendix 14 to the Listing Rules; and (vi) to consider other matters, as authorised by the Board.

The Corporate Governance Committee currently comprises an Executive Director, an independent Non-Executive Director and senior management of the Company, namely, Mr. Wong Kwok Ming as the Chairman of the Corporate Governance Committee, Mr. Loo Hong Sing Vincent, and an Executive Director and Chairman of the Board, namely Mr. George Lu were also the members of Corporate Governance Committee during the Current year. The Corporate Governance Committee held one meeting during the Current Year and each committee member had full attendance for all the meetings.

## CORPORATE GOVERNANCE FUNCTIONS

The Board and the Corporate Governance Committee have reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the training and continuous professional development of Directors and senior management and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the Current Year.

## CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

## COMPANY SECRETARY

Mr. Wong Kwok Ming, the company secretary of the Company, is a full-time employee of the Group and has day-to-day knowledge of the Company's affairs. The company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the company secretary is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of its profit and cash flows for the year ended 31 March 2021. The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The responsibilities of the auditor of the Company, Baker Tilly Hong Kong Limited, are set out in the section headed "Auditor's responsibilities for the audit of the consolidated financial statements" in the Independent Auditor's Report on pages 61 to 62 of this annual report.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has the overall responsibilities for the internal control of the Group, including risk management. To facilitate effective and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphases on the importance of the risk management and internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's risk management and internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The risk management and internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Audit Committee oversees the risk management and internal control system of the Group and communicates any material issues with the Board.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the risk management and internal control system and is of the view that the risk management and internal control system adopted during the year ended 31 March 2021 is sound and effective to safeguard the interests of the shareholders and the Group's assets.

## AUDITOR'S REMUNERATION

The auditor, Baker Tilly Hong Kong Limited, has provided both audit and non-audit services to the Group. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the independent auditor.

For the year ended 31 March 2021, the fee for audit service and non-audit services provided to the Group amounted to approximately HK$1.0 million and HK$0.1 million respectively (2020: HK$1.0 million and HK$nil, respectively).

## CONSTITUTIONAL DOCUMENTS

During the Current Year, there is no significant change in the Company's constitutional documents.

## COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the shareholders in a timely manner through a number of formal channels, including the annual general meeting, interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (www.huabangtechnology.com).

Subject to applicable laws and regulations, including the Listing Rules and the Articles of Association as amended from time to time, shareholders may convene a general meeting/put forward proposals in accordance with the following provisions:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings can deposit a written request to convene an extraordinary general meeting ("EGM") at the principal place of business of the Company in Hong Kong, for the attention of the Board or the Company Secretary.

2. The written request must state the name of the shareholders concerned, their respective shareholdings, the objects of the meeting, including details of the business(es) and resolutions proposed to be considered and approved at the meeting, signed by the shareholders concerned.

3. The request will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

4. If within 21 days of such deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

5. The notice period to be given to the shareholders in respect of the EGM varies according to the nature of the proposal. Notice of the EGM at which the passing of a special resolution is to be considered, notice of the EGM shall be arranged to be sent to the shareholders at least 21 clear days or 10 clear business days (whichever is longer) before such EGM.

**Procedures for shareholders sending enquiries to the Board**

1. *Enquiries about shareholdings*
   Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or go in person to its public counter at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. *Enquiries about corporate governance or other matters to be put to the Board and the Company*
   The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board or Company Secretary, by mail to 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. Shareholders may call the Company at (852) 2314 0822 for any assistance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Huabang Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby presents this Environmental, Social and Governance ("ESG") report ("ESG report") for the year ended 31 March 2021 (the "Year"), in order to comply with the requirements set forth in Appendix 27 to the Listing Rules. This report provides an overview of the Company's policies implementation and performance with respect to sustainable development and social responsibilities areas.

The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management of the Group has provided a confirmation to the Board on the effectiveness of the related system.

The reporting scope of the ESG Report includes the Company and its subsidiaries, unless otherwise specified, the environmental key performance indicators ("KPIs") of this report covers the operations of the Group's offices in Hong Kong, accountable for almost all of the Group's revenue, while excluding the operations in the People's Republic of China (the "PRC"), due to the operations of the PRC subsidiaries is not material. The Group is primarily engage in computer and peripheral products business and financial services business.

## APPROACH AND STRATEGY

The Group believes in delivering long term sustainable value creation to our shareholders. In doing so, while we carry on our business, we make choices that bring positive impacts to the communities. We have adopted a sustainability policy which covers employment and labour practices, business integrity, the environment and the community. The Group is committed to support good environmental standards and to ensure implementation of environmental-friendly measures.

## STAKEHOLDERS' ENGAGEMENT

The Group understand stakeholder engagement is a critical element to the success of the Group. To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders. We communicate with stakeholders from all circles on a regular basis, constantly collect their suggestions and feedback, and fully comprehend their opinions on the Group's performance and expectations on and demands for the Group by establishing different channels such as general meetings, annual reports, announcements, and company website.

The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders:

| Stakeholder | Expectation | Engagement channel | Measure |
|---|---|---|---|
| Shareholders and Investors | • Robust operational compliance<br>• Good returns on investment<br>• Disclosure of information in a fair, transparent and timely manner | • Annual general meeting and other shareholder meetings<br>• Interim reports, annual report, announcements<br>• Company's website<br>• Meeting with investor | Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements, circulars, interim report and annual report in the Year.<br><br>Carried out different forms of investor activities with an aim to improve investors' recognition. Disclosed company contact details on website and in reports and ensured all communication channels available and effective. |
| Government, public and communities | • To comply with the laws<br>• Ensure safety, environmental protection and social responsibility | • On-site inspections and checks<br>• Discussion through work reports preparation and submission for approval | Operated, managed according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities. |

| Stakeholder | Expectation | Engagement channel | Measure |
|---|---|---|---|
| Employees | • Safeguard the rights and interests of employees<br>• Salary and welfare<br>• Working environment<br>• Career development opportunities<br>• Health and safety<br>• Training and briefing sessions | • Policies and procedures<br>• Channels for employees to express their opinions<br>• Performance assessment<br>• Team activities | Provided a healthy and safe working environment; established policies and procedures according to local labour law; developed communication channel with management; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities. |
| Customers | • Assurance on quality and quantity of product<br>• Stable relationship<br>• Group's reputation and brand image<br>• Market demand | • Site visit<br>• Email and customer service<br>• Regular meetings | Organised marketing activities and site visit. |
| Suppliers/Partners | • Long-term partnership<br>• Honest cooperation<br>• Fair and open policy<br>• Information resources sharing<br>• Timely payment | • Strategic cooperation<br>• Regular meetings and visits<br>• Tendering process | Invited tenders to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors. |

| Stakeholder | Expectation | Engagement channel | Measure |
|---|---|---|---|
| Peer/Industry associations | • Experience sharing<br>• Corporations<br>• Fair competition | • Industry conference<br>• Site visit<br>• Website | Stuck to fair play, cooperated with peers to realise winwin, shared experiences and attended seminars and meetings of the industry so as to promote sustainable development of the industry. |

Stakeholders' valuable opinions regarding the Group's policies and approaches in terms of sustainable development are the vital driving force for the Group's continuous improvement. The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please mail to the Group's office at 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

## MATERIALITY ASSESSMENT

Materiality assessment was conducted in accordance with the expectation and feedback from the key stakeholders. Based on the assessment, the management of the Group prioritises employees' rights and obligations and product responsibility as material aspects of the long-term sustainability. Effective internal control systems on these aspects are reinforced with the aim of enhancing efficiency of operations and generating the environmental and social benefits to our stakeholders.

## ENVIRONMENT

The Group mainly engaged in sale of computer and peripheral products in Hong Kong and also engaged in financial services business in Hong Kong, while it does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas ("GHG") or any material hazardous and non-hazardous waste. The Group has developed a guidance memorandum regarding environmental protection practices in relation to air and GHG emissions, use of resources, waste discharges and generation of hazardous and non-hazardous waste, which will be reviewed annually and delivered to staff. The Group upholds its commitment to sustainable development and complies with relevant laws and regulations on environmental protection. We encourage our employees to focus on and enhance their awareness of environmental protection. The Group strives to protect the environment through the implementation of control activities and monitoring measures in its business activities and workplace. We are committed to promoting a green environment by introducing environmentally friendly business practices, educating our employees to enhance their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In order to mitigate the environmental impacts produced by the Group's operation, we have adopted and implemented relevant environmental policies. These policies apply the emission mitigation principle as well as the use of resources and waste management principle of "Reduce, Reuse, Recycle and Replace", with the objectives of minimizing the adverse environmental impacts and ensuring the emission being generated or waste disposed are managed in an environmentally responsible manner. The Group mainly consumed petrol, electricity, water and paper during the Year.

The Group strives to comply with all relevant environmental laws and regulations that are applicable to its business operation. The Group also pays attention to the regional and international update of the climate-related issues. As the Group's business does not involve industrial production activities in nature, there is no significant impact on the climate-related issue, environment and natural resources arising from its business operations. Its business does not involve in the production-related air, water, or land pollutions which are regulated under the laws and regulations of Hong Kong.

During the reporting period, the Group did not identify any material non-compliance with related environmental laws and regulations. The Group has not violated any environmental laws or regulations, nor has any compliant, penalty, or sanctions been imposed upon the Group for the violation of any environmental laws or regulations.

**Emissions**

The Group was principally engaged in (i) computer and peripheral products business and (ii) financial services business. Based on the aforesaid, the Group's operations is not expected to have a significant impact on the environment arising from its operating activities and will not generate hazardous pollutants. The Group's major sources of air emissions and greenhouse gas emissions were originated from petrol consumed by vehicles, consumption of purchased electricity and business air travel by employees. The Group has developed guidelines in relation to daily vehicular operation. The Group periodically records and monitors the fuel consumed, educates employees to turn off engines for idling vehicles, and conducts regular vehicle inspections and maintenance to enhance vehicle efficiency.

In order to minimise hazardous emissions, the Group has developed guidelines and encourages its employees to:

1. Take public transport instead of driving during travels, whenever possible, to reduce vehicle exhaust emissions;

2. Use telephone or video conferencing to replace business trips as far as feasible to reduce carbon emissions;

3. Take the eco-friendly modes of transportation that have low levels of pollution, such as railway lines, trams, LPG minibuses, etc.; and

4. Use environmentally-friendly cleaning agents to reduce water pollution.

The Group is not aware of any circumstances arising from its business operations leading to significant air pollution, water pollution and land pollution and generation of hazardous waste during the Year.

*I. Air emissions*

Due to our business nature, the Group considers the relevant air emissions generated are not expected to be significant. The Group's major sources of exhaust gas emissions were originated from petrol consumed by vehicles. Petrol was used in private cars for business meetings and travels. The Group has developed guidelines in relation to daily vehicular operation. The Group periodically records and monitors the fuel consumed, educate employees to turn off engines for idling vehicles, and conduct regular vehicle inspections and maintenance to enhance vehicle efficiency. For the year ended 31 March 2021, the air emissions of Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and Particulate Matter (PM) was 2,540.6g, 88.5g and 187.1g (2020: 2,932.7g, 70.3g and 215.9g) respectively, representing an increase/(decrease) of (392.1)g, 18.2g and (28.8)g respectively.

*II. Greenhouse gas emissions*

The major sources of the Group's GHG emissions were (i) direct GHG emissions generated from petrol consumed by vehicles (Scope 1), (ii) indirect GHG emissions from consumption of purchased electricity (Scope 2) and (iii) other indirect GHG emission from paper use and business air travel by the employees (Scope 3). For the year ended 31 March 2021, the summary of GHG emission from the Group's operation are as follows:

| **Type of GHG emissions** | **Equivalent Carbon dioxide ($CO_2$) emission** | | |
|---|---|---|---|
| | **2021** | 2020 | Increase/(decrease) |
| Scope 1 – Direct emissions | **14,206.4 kg** | 11,286.8 kg | 2,919.6 kg |
| Scope 2 – Indirect emissions | **43,266.3 kg** | 45,424.5 kg | (2,158.2) kg |
| Scope 3 – Other indirect emissions | **2,756.8 kg** | 17,499.3 kg | (14,742.5) kg |
| Total GHG emissions | **60,229.5 kg** | 74,210.6 kg | (13,981.1) kg |
| Total GHG emission intensity | **1,585.0 kg/employee** | 2,120.3 kg/employee | (535.3) kg/employee |

*III. Waste management*

The Group's operations do not produce any hazardous waste. The non-hazardous wastes generated by the Group were mainly papers and solid wastes generated in our offices during our operation. During the reporting period, the Group took necessary steps to monitor and manage the environmental effect of the operations. The Group aims to reduce the energy consumption and carbon emissions, and seeks to find less harmful ways to protect the environment in the operations. Our internal guidelines have complied with all the relevant laws and regulations applicable to our operations under different jurisdictions. In order to ensure the sustainability of the environment, the Group has instilled the attitude of "Less Use and Less Waste" to advocate the waste reduction, and used the concept of "Reduce, Reuse, and Recycle" to improve the utilization of energy and resources and achieve the benefit of economic efficiency. During the reporting period, the Group has devoted substantial efforts to waste management by minimising solid waste to landfills through waste reducing, waste reusing and waste recycling. One of the essential measurements is through promoting the importance of waste reduction among the employees of the Group through training and education. Going paperless is always our key message passed to the employees of the Group and they are encouraged to use electronic copies for filing purpose and use recycled papers for printing in order to reduce waste. Our efforts to reduce paper usage include implementing paperless e-Payroll systems. In addition, to strengthen the support for waste recycling, the Group sets up a collection area to collect waste paper for recycling. The Group will provide guidance to the employees to develop a recycling habits not just only at work, but also in their daily life and influence their surroundings by their actions.

Due to the Group's business nature, the non-hazardous waste and hazardous waste are not deemed to be material to the Group's business. No related statistics of both non-hazardous waste and hazardous waste produced were recorded. We shall closely follow regulatory changes and update our disclosure accordingly in the future.

### Use of Resources

The resources used by the Group for its operations are mainly electricity consumption, petrol consumption, water consumption and paper consumption. In order to uphold its commitment to sustainable development, the Group educates its employees to be aware on energy and resources conservation and environmental protection. The Group's employees have kept the use of resources to a minimum through various green practices.

I. *Electricity consumption*

The world is facing historic global warming challenges and the Group strives to save energy and resources to create a low-carbon and operate in all our business sectors in a sustainable way. The following guidelines have been developed by the Group to aim to minimize the electricity consumption:

1. Use of energy-efficient lights and electrical appliances in office workplace.
2. Staff are encouraged to dress in smart casual and indoor temperature is maintained at around 25°C in the summer time.
3. Turn off some lights and air conditioning during lunch hours and non-office hours.
4. Enable the "Standby" or "Sleep" mode of printers and computers.

For the year ended 31 March 2021, the electricity consumption by offices of the Group is as follows:

| **Use of resources:** | **Electricity consumption** | | |
|---|---|---|---|
| | **2021** | 2020 | Increase/(decrease) |
| Direct consumption: | **65,555 Kilowatt per hour** | 68,825 Kilowatt per hour | (3,270) Kilowatt per hour |
| Intensity: | **1,725 Kilowatt per hour/employee** | 1,966 Kilowatt per hour/employee | (241) Kilowatt per hour/employee |

II. *Petrol consumption*

Petrol was consumed by the vehicles of the Group for its daily operation. Petrol was used in private cars for business meetings and local travels. The Group has developed guidelines in relation to daily vehicular operation. The Group periodically records and monitors the fuel consumed, educate employees to turn off engines for idling vehicles, and conduct regular vehicle inspections and maintenance to enhance vehicle efficiency.

For the year ended 31 March 2021, the petrol consumption by vehicles of the Group is as follows:

| **Use of resources:** | **Petrol consumption** | | |
|---|---|---|---|
| | **2021** | 2020 | Increase/(decrease) |
| Direct consumption: | **6,019.7 Litres** | 4,782.5 Litres | 1,237.2 Litres |
| Intensity: | **158.4 Litres/ employee** | 136.6 Litres/ employee | 21.8 Litres/ employee |

*III. Water consumption*

Water consumption included only consumption from offices of the Group for its operation. The Group regularly reminds its staff to conserve water resources through publishing notices and reminders. To reduce water consumption, staff are reminded to control tap flow and report any dripping taps or water leakage to relevant department promptly. Since the Group only focuses on office operations, there are no issues in sourcing water that is fit for the purpose.

For the year ended 31 March 2021, we followed the practice of last year to measure the data for water usage for comparison. The water consumption by offices of the Group is as follows:

| Use of resources: | Water consumption | | |
|---|---|---|---|
| | **2021** | 2020 | Increase/(decrease) |
| Direct consumption: | **98 Cubic meter** | 52 Cubic meter | 46 Cubic meter |
| Intensity: | **2.6 Cubic meter/ employee** | 1.5 Cubic meter/ employee | 1.1 Cubic meter/ employee |

*IV. Use of paper*

The Group prioritises to consume environmental-friendly and sustainable products for its office supplies and encourage recycling in its operations. The Group's existing business does not involve producing packaging material used for finished products. The Group's existing businesses are not expected to pose a significant use of packaging materials; however, the Group has developed guidelines to the employees to reduce usage of paper. The Group recommends the employees to handle the informal documents electronically and to use double-sided printing for any documents other than formal and confidential documents. Re-using single-sided paper and recycling doubled-sided used paper are also required. For the year ended 31 March 2021, the Group consumed 475 kg (2020: 375 kg) of printing paper, representing an increase of 100 kg of printing paper. The paper consumption intensity was 12.5 kg per employee (2020: 10.7 kg), representing an increase of 1.8 kg per employee.

**Environment and Natural Resources**

Although the core business of the Group has limited impact on the environment and natural resources, as an ongoing commitment to good corporate social responsibility, we recognise the responsibility in minimising the negative environmental impacts of our operations in achieving sustainable development to generate long-term values to our stakeholders and community. The Group is committed in building an environmental-friendly corporation that pays close attention to conserve natural resources. To incorporate environmental sustainability into the Group's operations, the Group strives to minimise its environmental impact and move forward to a low-carbon future.

**Regulatory Compliance**

For the year ended 31 March 2021, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relating to air, GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste. The Group's management continuously oversees the implementation of relevant policies and measurements. In addition, the Group's management will adjust and reform the policies from time to time to ensure the achievement of better results.

## SOCIAL

### Employment and Labour Practices

*Employment*

The Group treasures talent as it is one of the most valuable assets and keys for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and competitive platform for career development and advancement.

The Group strictly complies with the relevant laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits set out in the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China as well as the Employment Ordinance, Employees' Compensation Ordinance, and Minimum Wage Ordinance of Hong Kong. In addition, the Group reviews and updates its employment practices and internal guidelines on a regular basis to comply with the latest regulatory requirements.

The Group strictly prohibits the recruitment of child labor or forced labor. In strict accordance with the Law of the People's Republic of China on the Protection of Minors, the Law of the People's Republic of China on the Protection of Rights and Interests of Women, and the Implementing Regulations of the Employment Contract Law of the PRC as well as the Employment of Children Regulations of Hong Kong, the Group will examine the identification documents of job seekers during recruitment to ensure that they qualify for corresponding posts. To further protect the rights and interests of employees, the Group signs contracts with all employees, which stipulate wages, benefits, working hours, holidays, employee responsibilities, dismissal and so on, to ensure that the Group and employees have the same understanding of operating posts and conditions.

The Group contributes to mandatory provident fund, employees' compensation insurance, social insurances and housing fund for all the staff in a timely manner. The Group determines working hours and rest periods for employees in line with relevant employment laws and employment contracts with employees. In addition to statutory holidays such as the basic paid annual leave, employees are also entitled to maternity leave.

During the Year, the Group is not aware of any non-compliance with the laws or regulations relating to employment and labour practices that have a significant impact on the Group.

To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experiences. In order to motivate and reward existing management and employees, the Group conducts regular salary review to ensure that its staff are recognised by the Group with regard to their working efforts and contributions. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

As an equal opportunity employer, the management of the Company is committed in creating a fair, respectful and diversified working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, pregnancy status, sexual orientation, religion beliefs, nationality, social and ethnic origin or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation. If there is any discrimination incidents, employees can report to human resources department of the Group. Disciplinary actions would be taken against any employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

As at 31 March 2021, the Group employed 38 employees in total, of which 20 employees were male, while 18 were female. 13% of employees aged from 21 to 30; 39% of the employees aged from 31 to 40; 16% of them aged from 41 to 50; and the remaining of them aged 51 or over. 95% of them are under Hong Kong employment and the remaining of them are under the PRC employment. The turnover rate of the Year was 16%.

As at 31 March 2020, the Group employed 35 employees in total, of which 19 employees were male, while 16 were female. 14% of employees aged from 21 to 30; 40% of the employees aged from 31 to 40; 26% of them aged from 41 to 50; and the remaining of them aged 51 or over. 94% of them are under Hong Kong employment and the remaining of them are under the PRC employment. The turnover rate of the Year was 32%.

## HEALTH AND SAFETY

The Group places strong importance in securing the health and safety of employees and in maintaining workplace safety and comfort for its staff. The Group regularly reviews and monitors potential occupational health and safety risks within the office and warehouses to ensure a safer workplace environment for the employees.

The Group endeavors to create a safe, healthy, and comfortable working environment for employees. Although the Group's business does not involve high-risk work, it strictly complies with relevant laws and regulations including the Law of the People's Republic of China on Work Safety and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases as well as the Occupational Safety Health Ordinance of Hong Kong, to implement the most comprehensive protection for employees.

We implemented the followed measures:

– Check the office area carefully before leaving, turn off the unnecessary power, close the doors and windows and eliminate dangers;

– If unsafe equipment is found and can cause accidents, it is required report immediately to the relevant departments and make adjustments;

– Keep the workplaces with good ventilation;

– Avoid overcrowded workplaces;

– Add warning signs in the dangerous areas to warn others to keep distance;

– Keep basic first aid equipment in the office;

– Report immediately to the relevant people and handle properly when there is an accident; and

– Propose adjustment plans to avoid the similar incidents, etc.

In response to the outbreak of the COVID-19 pandemic, the Group has also implemented a series of precautionary measures and has complied with guidelines from the regional government authorities to ensure the health and safety of its employees. In addition to requiring employees to perform regular community test, the Group requires employees to check and record their temperatures upon arriving to the workplace and reminds employees the importance of maintaining social distancing and provides surgical masks to employees whenever necessary. To further prevent cross infection within the workplace, clear guidelines are also in place to respond to situations where employees or their family members are found to have contracted the virus.

During the Year, the Group is not aware of any non-compliance with the relevant laws and regulation on occupational health and safety that have a significant impact on the Group. The Group has no work-related fatalities and no work-related injuries case during the Year.

## DEVELOPMENT AND TRAINING

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings. In order to assist employees in reaching the "keep moving" spirit, the Group supports individual learning and self-improvement of our employees at all levels by providing tailor-made training sessions and education subsidies. The trainings are beneficial for our employees in adopting professional knowledge and improving efficiency in the Group's business operations which also ultimately increase their job satisfaction and morale. The Group has constantly provided on-job education and trainings for its employees to improve their knowledge and expertise.

The Group encourages employees to participate in on-the job training and continuing education to create opportunity for career development. The Group provides orientation training to all new employees in order to give a better understanding to the culture, practices and safety requirements of the Group. The Group provides diversified on-the-job training to employees covering topics such as management skills, professional skills, technical knowledge, latest news and information about corporate culture and ensure employees are able to meet the changing demands in the Group and the market. By providing continuous training, employees gain satisfaction and enjoyment from their roles and increase the motivation. Through a series of training covering various topics, our staff's understanding towards the Group's business, management structure and corporate culture would be gradually enhanced. Employees are encouraged to fully develop their potential and strengths.

During the Year, the Group provided internal training to all directors and senior management of the Group which covered the major changes of the Listing Rules and regulations. The average training hours completed per director and senior management is 30 hours. During the Year, internal trainings were also provided to all the Group's administrative and supporting staff regarding the system usages, technical updates and market knowledge updates. The average training hours completed per administrative and supporting staff were 4 hours. During the Year, total number of hours of training received by male employees and female employees are 210 hours and 124 hours respectively. The average training hours completed per male employee and female employee are 10.5 hours and 6.9 hours respectively.

## LABOUR STANDARDS

The Group strictly abides by the Employment Ordinance and other laws and regulations to prohibit any child and forced labour. To combat against illegal employment, the human resources department of the Group is responsible for recruitment which requires the job applicants to provide valid identity documents prior to the confirmation of employment to ensure that the applicants are lawfully employable. The Group prohibits any force of work under threat or duress. The Group encourages the employees to report any suspected case of child or forced labour to the management. If any case is reported, investigation will be carried out and appropriate actions will be taken to prevent future occurrence.

The human resources department of the Group is responsible to monitor and ensure compliance of latest and relevant laws and regulations in relation to the prevention of child labour and forced labour. During the Year, no violation of relevant laws and regulations in relation to the prevention of child labour and forced labour was noted.

## HARMONIOUS WORKPLACE

The Group believes employees hold strong positions in the success of our business. Therefore, the Group is determined to promote workplace diversity, protect employees' rights and encourage a friendly corporate culture. With the aim of motivating its employees to demonstrate its core values and to ultimately boost their sense of belonging, the Group strictly implements employment practices, internal equality and nondiscrimination principles.

To ensure the ability to attract and retain employees, the Group regularly reviews the remuneration and welfare policy such as an attractive bonus system and medical insurance.

## OPERATING PRACTICES

### Supply Chain Management

The Group aims to maintain long-term, stable and strategic cooperative relationships with suppliers in order to achieve a co-development relationship with the suppliers. The Group expects all suppliers to embrace corporate social responsible value since the supply chain management is an essential part of the corporate responsibility.

The Group has established a rigorous supplier selection system. When selecting suppliers, the Group takes various factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance.

In view of growing social concern on environmental issues, the Group has also incorporated environmental and social considerations in the supplier selection process. We expect suppliers to observe the environmental, social, health and safety and governance considerations in their operations.

The Group has also formulated policies and procedures to ensure that suppliers could compete in a transparent and fair manner. We do not differentiate and discriminate against any suppliers, and we do not tolerate any forms of corruption or bribery. Employees and other individuals with interest in the suppliers are also not allowed to participate in relevant procurement activities.

The Group has strict quality control in each operation step: procurement, production and warehousing. The Group checks quality and stability of products, so as to select high-quality product-suppliers and to ensure the quality of products. In respect of warehouse management, warehouse inventory follows the principle of convenient storage and management which can minimise errors.

During the Year, the number of suppliers by geographical region is as follows:

| Geographical region | Number of suppliers | |
|---|---|---|
| | **2021** | 2020 |
| Hong Kong: | **11** | 16 |
| Korea: | **1** | 1 |
| Singapore: | **0** | 1 |
| Taiwan: | **1** | 1 |

## PRODUCT RESPONSIBILITY

The Group has dedicated to put the products quality as its first priority as the performance of the products would affect the long-term relationship with customers and the reputation and success of the business. The Group is principally engaged in (i) computer and peripheral products business and (ii) financial services business. Regarding the computer and peripheral products business, the computer and peripheral products being sourced were all manufactured by famous brands in the world. In terms of quality assurance control, suppliers provide warranty on the products they supply to the Group for distribution of electronic components and finished products. They are also responsible for providing or procuring the provision of in-warranty service to the end customers.

The Group also adopts the following quality assurance control and recall procedures policies on the products:

– a series of inspections upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and

– if any defects are identified for products after sale, the relevant product will be recall from customers and returned to the supplier for replacement.

In respect of warehouse management, the Group has adequate and suitable warehouse facilities to keep the products in good condition and good quality.

The Group strictly complies with all applicable laws and regulations and obtains all the licences relating to product responsibility.

During the Year, the Group was not aware of any non-compliance with the laws or regulations relating to product responsibility issues. During the Year, no sold-products were recalled for safety and health reasons.

The Group attaches great importance to maintain customer relationships and values customers' opinions. The Group maintains close communication with the customers in order to obtain better understanding of the customers' expectations and feedbacks. During the Year, the Group did not receive any complaints from customers. Should any complaint arise, the Group will carefully consider and investigation will be carried out to identify the issues.

## DATA PRIVACY

Protecting the security and privacy of stakeholders' personal data is important to the Group. The Group ensures compliance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and other statutory requirements to meet a high standard of security and confidentiality of personal data privacy protection. The following data protection principles are adopted in preserving proper security and use of data:

- We only collect personal data that are relevant and required for our businesses;
- We will not share personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified; and
- We maintain appropriate data collection, storage, and processing practices and security measures to protect against unauthorised access to personal information.

During the Year, no complaints regarding breaches of customer data and privacy were received, and no reported incident of non-compliance with laws and regulations relating to product responsibility.

### Intellectual Property

The Group respects intellectual property rights, including but not limited to trademarks, patents, copyrights and designs in the preparation of marketing and communication materials. The Group requires its staff to comply with regulatory requirements in collecting, holding, processing, disclosing and using personal information, as well as protecting confidential information received in the course of business. Consents are required prior to usage of any trademarks.

The Group ensures compliance with the Hong Kong Intellectual Property Law and carried out the following measures:

– Ensure that the Company's trademarks, commercial and technical secrets, software and other intellectual property rights are not infringed;

– Monitor regularly intellectual property rights in the market; and

– Use copyright-protected application software and avoid legal disputes caused by security vulnerability and software copyrights, etc.

## ANTI-CORRUPTION

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption, such as the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and bribery irrespective of the area or country where the Group is conducting business. The Group has formulated and strictly enforced anti-corruption policies pursuant to which the Group will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business.

The Group has issued relevant whistle-blowing procedures in setting up a private communication channel on reporting suspicious fraudulent actions to the Group's management directly. In addition, when the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential threats on corruption.

During the Year, there was no legal case regarding corrupt practices brought against the Group or its employees. There were no suspected enquiries or reported cases involving fraud against the Group. The Group was also not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering. The Group will continue to review and improve the internal control and corporate governance to maintain high standard of ethics and integrity in all business operations.

## COMMUNITY INVESTMENT

The Group emphasises the importance of social responsibility awareness to its staff and encourages them to participate in social activities and charitable activities.

The Group believes in people-oriented management principle, carries out a variety of activities in fulfilling our social responsibilities, actively pursues social contribution initiatives and strives to create a sustainable and harmonious society.

The Group encourages its employees to dedicate their time and skills to supporting the local communities and encourages its business partners to implement and improve corporate social responsibility policies. The Group strives to develop long-term relationship with our stakeholders and brings a positive impact on community development.

During the Year, the Group mainly allocated its resources on business expansion, which resulted in less contribution to community investment. In the coming years, the Group shall review policies in relation to community investment and explore the feasibility of increasing community investment activities.

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**TO THE SHAREHOLDERS OF HUABANG TECHNOLOGY HOLDINGS LIMITED (FORMERLY KNOWN AS HUABANG FINANCIAL HOLDINGS LIMITED)**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Huabang Technology Holdings Limited (formerly known as Huabang Financial Holdings Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 194, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment on goodwill** | |
| Refer to Notes 4(c) and 14 to the consolidated financial statements.<br><br>We identified the impairment of goodwill as a key audit matter due to the significance of the goodwill balance to the consolidated financial statements, combined with the significant degree of judgement and estimation made by the management associated with the determination of the recoverable amount of goodwill in the impairment assessment. As at 31 March 2021, the Group has goodwill of HK$52.01 million.<br><br>Goodwill is tested for impairment annually, or when there are events or changes in circumstances indicate that it might be impaired. For the purpose of impairment assessment, goodwill has been allocated to respective cash generating unit ("CGU"). Management assessed the recoverable amount of relevant CGU with the assistance of an independent external valuer. The recoverable amounts were determined based on a value-in-use calculation using cash flow projections of the relevant CGU based on financial budgets approved by management. The key assumptions involved mainly including (i) revenue growth rate, (ii) terminal growth rate; and (iii) pre-tax discount rates.<br><br>No impairment loss was recognised for the year ended 31 March 2021. | Our procedures to evaluate the Group's impairment assessments on goodwill included the following:<br><br>• obtaining the future cash flow analysis prepared by the management and checking its mathematical accuracy;<br><br>• assessing the objectivity, capability and qualification of the independent external valuer;<br><br>• reviewing the valuation report prepared by the independent external valuer, assessing the valuation methodology; and checking its mathematical accuracy;<br><br>• evaluating the key assumptions used in the estimated future cash flow, including the forecasts of future revenue growth rates and gross margins, by comparing with the historical performance and future strategic plan of the Group in respect of the cash-generating units;<br><br>• evaluating the discount rate, by assessing the cost of capital for the Group and comparable companies, as well as considering territory specific factors;<br><br>• performing a retrospective review on the consistency of the methodology adopted in the previous years and inquiring with the management for the reasons for changes, if any; and<br><br>• Obtaining the sensitivity analysis performed by management and assessing the extent of impact on the value in use.<br><br>We found the assumptions made by the independent external valuer and management in relation to the value in use calculations to be reasonable based on available evidence. The significant inputs involved have been appropriately disclosed in Note 14. |

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment on loan receivables and cash client receivables** | |
| Refer to Notes 4(b), 5.1(b), 18 and 19 to the consolidated financial statements.<br><br>We identified impairment assessment on loan receivables and cash client receivables as a key audit matter due to the significance of these amounts to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") at the end of the reporting period.<br><br>As at 31 March 2021, the gross balance of loan receivables and cash client receivables were HK$194.53 million and HK$258.38 million respectively; the corresponding impairment allowances were HK$13.95 million and HK$48.94 million respectively.<br><br>The impairment assessment on loan receivables and cash client receivables involves significant management judgements and estimates in the assessment of credit risk, the uses of models and the choices of inputs in the calculation of expected credit loss at the reporting date.<br><br>At each reporting date, the Group assesses whether there has been a significant increase in credit risk. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.<br><br>In assessing the lifetime ECL on credit-impaired loan receivables and cash client receivables that are classified as stage 3, the Group performs an assessment based on the Group's historical credit loss experience, adjusted for factors specific to the borrowers, general economic conditions, the current conditions at the reporting date and forward-looking analysis. The Group also reviews the amount and timing of future cash flows, guarantees, value of the collateral received from the customers in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience. | Our procedures to evaluate the Group's impairment assessment on loan receivables and cash client receivables as at 31 March 2021 included the following:<br><br>• obtaining an understanding of the Group's credit risk management and practices, and assessed the Group's impairment provision policy and related management judgements;<br><br>• testing the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into the three stages. Our testing included checking to loan overdue information, loan-to-value percentage for cash client receivables or other related information, and considering the three stages classification determined by the Group;<br><br>• evaluating the Group's estimation methodology of expected credit losses, and checked the parameters to external data sources where available, including default rates provided by credit rating agency. Furthermore, we assessed and tested the sensitivity of the impairment allowance to changes in modelling assumptions, including the forward-looking probability weighted economic scenarios;<br><br>• For loan receivables and cash client receivables classified at stage 3, we checked the valuation of the collateral and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment of impairment allowance; and<br><br>• Assessing the adequacy of the disclosures in relation to credit risk of HKFRS 9 in the consolidated financial statements.<br><br>Based on the procedures described above, we considered the methodology used, key assumptions, judgements and estimates applied in the impairment assessment on loans receivables and cash client receivables were supportable by available evidence. |

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

**Impairment assessment on trade receivables**

Refer to Notes 4(a), 5.1(b) and 19 to the consolidated financial statements.

We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the ECL of the Group's trade receivables at the end of the reporting period.

As at 31 March 2021, the Group has gross trade receivables of HK$104.78 million and provision for impairment losses on trade receivables of HK$88.28 million. Provision is made for lifetime expected credit losses on trade receivables.

Management applied judgement in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or those not responding to collection activities are assessed individually for provision for impairment loss. Expected credit losses are then estimated by grouping the trade receivables based on shared credit risk characteristics and aging profile and collectively assessed for likelihood of recovery. The expected credit loss rates are determined based on historical credit losses experienced and adjusted to reflect current and forward-looking information including macroeconomic factors affecting the ability of the customers to settle the receivables.

Our procedures in relation to management's assessment of the expected credit losses for trade receivables included the following:

- understanding, evaluating and validating the key controls over credit procedures performed by management, including the periodic review of aged receivables and the assessment of the expected credit losses for trade receivables, including the identification of trade receivables subject to individual and collective assessments;
- obtaining management's assessment of the expected credit losses for trade receivables and tested the accuracy of the aging profile of trade receivables by checking to the underlying invoices on a sample basis;
- circulating confirmations to confirm the balances due from customers on a sample basis and on a sample basis, we tested subsequent settlement of trade receivables against bank receipts;
- for trade receivables subject to individual assessment, we assessed the appropriateness of management's assessment based on supporting documents such as correspondence with the customers, customers' responses to collection activities and relevant public search results relating to the financial circumstances of these customers;
- for trade receivables subject to collective assessment, we assessed the appropriateness of management's assessment including the credit risk characteristics based on the customers' historical settlement pattern and market research regarding the relevant current and forward-looking information including macroeconomic factors affecting the ability of the customers to settle the receivables; and
- Testing the calculation of the provision for impairment losses.

We found the judgement and estimates adopted by management in determining the expected credit losses of the trade receivables to be supportable based on the available evidence.

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement director on the audit resulting in this independent auditor's report is Gao Yajun.

**Baker Tilly Hong Kong Limited**
Certified Public Accountants
Hong Kong, 22 June 2021
**Gao Yajun**
Practising certificate number P06391

# CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2021

| | Note | Year ended 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Revenue** | 6 | **2,023,680** | 933,638 |
| Cost of sales | | **(1,960,924)** | (867,481) |
| **Gross profit** | | **62,756** | 66,157 |
| Selling expenses | | **(1,364)** | (770) |
| General and administrative expenses | | **(43,012)** | (44,549) |
| Expected credit loss on financial assets, net | 7 | **(106,351)** | (5,125) |
| Other (expenses)/income and (losses)/gains, net | 8 | **(1,822)** | 11,207 |
| **Operating (loss)/profit** | | **(89,793)** | 26,920 |
| Finance costs | 9 | **(7,913)** | (9,529) |
| Share of net loss of associates accounted for using the equity method | 16 | **(1,946)** | (2,052) |
| Impairment loss on interest in an associate | 16 | **(6,258)** | – |
| **(Loss)/profit before income tax** | 10 | **(105,910)** | 15,339 |
| Income tax credit/(expense) | 11 | **12,462** | (5,597) |
| **(Loss)/profit for the year** | | **(93,448)** | 9,742 |
| **(Loss)/profit attributable to:** | | | |
| Owners of the Company | | **(93,108)** | 5,607 |
| Non-controlling interests | | **(340)** | 4,135 |
| | | **(93,448)** | 9,742 |
| **(Loss)/earnings per share attributable to owners of the Company** | | | |
| Basic | 12 | **HK(2.14) cent** | HK0.13 cent |
| Diluted | 12 | **HK(2.14) cent** | HK0.13 cent |

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March 2021

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **(Loss)/profit for the year** | **(93,448)** | 9,742 |
| **Other comprehensive income/(expense)** | | |
| *Item that may be subsequently reclassified to profit or loss* | | |
| Currency translation differences | **901** | (828) |
| **Total comprehensive (expense)/income for the year** | **(92,547)** | 8,914 |
| **Attributable to:** | | |
| Owners of the Company | **(92,207)** | 4,779 |
| Non-controlling interests | **(340)** | 4,135 |
| | **(92,547)** | 8,914 |

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

| | Note | As at 31 March<br>**2021**<br>**HK$'000** | <br>2020<br>HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **265,831** | 276,293 |
| Intangible assets | 14 | **52,126** | 53,254 |
| Interest in an associate | 16 | **–** | 7,762 |
| Deposits, prepayments and other receivables | 20 | **691** | 691 |
| Deferred tax assets | 28 | **22,887** | 7,378 |
| | | **341,535** | 345,378 |
| **Current assets** | | | |
| Inventories | 17 | **13,690** | 60,884 |
| Loan receivables | 18 | **180,585** | 179,447 |
| Account receivables | 19 | **226,279** | 282,976 |
| Deposits, prepayments and other receivables | 20 | **34,751** | 19,581 |
| Financial assets at fair value through profit or loss | 21 | **12,263** | 285 |
| Income tax recoverable | | **2,084** | 1,047 |
| Bank balances held on behalf of clients | 22 | **15,089** | 13,741 |
| Pledged bank deposits | | **41,427** | 40,915 |
| Cash and cash equivalents | 23 | **68,286** | 117,682 |
| | | **594,454** | 716,558 |
| **Total assets** | | **935,989** | 1,061,936 |

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2021

| | Note | As at 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 24 | **3,654** | 3,654 |
| Other reserves | 26 | **538,532** | 537,631 |
| (Accumulated losses)/retained earnings | | **(15,427)** | 77,681 |
| Total equity attributable to owners of the Company | | **526,759** | 618,966 |
| Non-controlling interests | | **7,117** | 7,957 |
| **Total equity** | | **533,876** | 626,923 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 28 | **163** | 840 |
| | | **163** | 840 |
| **Current liabilities** | | | |
| Account payables | 29 | **40,035** | 83,616 |
| Other payables and accrued expenses | 29 | **4,815** | 1,725 |
| Contract liabilities | 30 | **2,917** | 1,197 |
| Borrowings | 31 | **346,759** | 342,754 |
| Income tax payables | | **7,424** | 4,881 |
| | | **401,950** | 434,173 |
| **Total liabilities** | | **402,113** | 435,013 |
| **Total equity and liabilities** | | **935,989** | 1,061,936 |
| **Net current assets** | | **192,504** | 282,385 |
| **Total assets less current liabilities** | | **534,039** | 627,763 |

These consolidated financial statements on pages 63 to 194 were approved for issue by the Board of Directors on 22 June 2021 and were signed on its behalf by:

**George Lu**
Director

**Shen Wei**
Director

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2021

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Other reserves | | | | | | | | | | |
| | Share capital | Share premium | Shares held for share award scheme | Merger reserve Note 26(a) | Capital reserve Note 26(b) | Statutory reserve Note 26(c) | Exchange reserve | Sub total | (Accumulated losses)/ retained earnings | Total | | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the year ended 31 March 2021** | | | | | | | | | | | | |
| Balance at 1 April 2020 | 3,654 | 502,332 | (21,630) | 50,374 | 2,480 | 1,042 | 3,033 | 537,631 | 77,681 | 618,966 | 7,957 | 626,923 |
| Loss for the year | – | – | – | – | – | – | – | – | (93,108) | (93,108) | (340) | (93,448) |
| **Other comprehensive income** | | | | | | | | | | | | |
| Currency translation differences | – | – | – | – | – | – | 901 | 901 | – | 901 | – | 901 |
| Total comprehensive income/(expense) for the year | – | – | – | – | – | – | 901 | 901 | (93,108) | (92,207) | (340) | (92,547) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | (500) | (500) |
| Balance at 31 March 2021 | 3,654 | 502,332 | (21,630) | 50,374 | 2,480 | 1,042 | 3,934 | 538,532 | (15,427) | 526,759 | 7,117 | 533,876 |

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the Year Ended 31 March 2020

| | Note | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other reserves | | | | | | | | | | | |
| | Note | Share capital | Share premium | Employee share-based compensation reserve | Shares held for share award scheme | Merger reserve Note 26(a) | Capital reserve Note 26(b) | Statutory reserve Note 26(c) | Exchange reserve | Sub total | Retained earnings | Total | Non-controlling interests | Total equity |
| | | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the year ended 31 March 2020** | | | | | | | | | | | | | | |
| Balance at 1 April 2019 | | 3,654 | 502,332 | 14,955 | (495) | 50,374 | 2,480 | 1,042 | 3,861 | 574,549 | 57,119 | 635,322 | – | 635,322 |
| Profit for the year | | – | – | – | – | – | – | – | – | – | 5,607 | 5,607 | 4,135 | 9,742 |
| **Other comprehensive expense** | | | | | | | | | | | | | | |
| Currency translation differences | | – | – | – | – | – | – | – | (828) | (828) | – | (828) | – | (828) |
| Total comprehensive (expense)/income for the year | | – | – | – | – | – | – | – | (828) | (828) | 5,607 | 4,779 | 4,135 | 8,914 |
| Employee share option scheme – forfeiture of employee share options | 25(a) | – | – | (14,955) | – | – | – | – | – | (14,955) | 14,955 | – | – | – |
| Disposal of interests in a subsidiary without losing control | 37 | – | – | – | – | – | – | – | – | – | – | – | 3,822 | 3,822 |
| Purchase of shares under share award scheme | 25(b) | – | – | – | (21,135) | – | – | – | – | (21,135) | – | (21,135) | – | (21,135) |
| Balance at 31 March 2020 | | 3,654 | 502,332 | – | (21,630) | 50,374 | 2,480 | 1,042 | 3,033 | 537,631 | 77,681 | 618,966 | 7,957 | 626,923 |

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2021

| | Note | Year ended 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 35(a) | **(26,747)** | (228,627) |
| Income tax paid | | **(3,631)** | (821) |
| Income tax refunded | | **1,413** | 927 |
| Net cash flows used in operating activities | | **(28,965)** | (228,521) |
| **Cash flows from investing activities** | | | |
| Interest received | | **658** | 9,710 |
| Purchase of property, plant and equipment | | **(1,101)** | (464) |
| Proceeds from disposal of property, plant and equipment | 35(b) | **–** | 5 |
| Change in deposits, prepayments and other receivables | | **–** | 227 |
| Acquisition of interests in associates | | **–** | (19,921) |
| Acquisition of financial assets at fair value through profit or loss | | **(14,828)** | – |
| Proceeds from disposal of interest in an associate | 16 | **–** | 40,000 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **367** | – |
| Placement of pledged bank deposits | | **(512)** | (40,915) |
| Net cash flows used in investing activities | | **(15,416)** | (11,358) |
| **Cash flows from financing activities** | | | |
| Interest paid | 35(c) | **(7,866)** | (8,859) |
| New borrowings raised | 35(c) | **1,632,991** | 646,920 |
| Repayments of borrowings | 35(c) | **(1,629,033)** | (461,349) |
| Dividend paid to non-controlling interests in a subsidiary | 15(i) | **(500)** | – |
| Purchase of shares held for share award scheme | | **–** | (21,135) |
| Net cash flows (used in)/generated from financing activities | | **(4,408)** | 155,577 |
| **Net decrease in cash and cash equivalents** | | **(48,789)** | (84,302) |
| Cash and cash equivalents at beginning of year | | **117,682** | 201,704 |
| Effect of foreign exchange rate changes, net | | **(607)** | 280 |
| Cash and cash equivalents at end of year | 23 | **68,286** | 117,682 |

The notes on pages 70 to 194 are integral parts of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 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. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in (i) computer and peripheral products business and (ii) financial services business (the "Business").

The directors considered Mr. George Lu and Ms. Shen Wei, spouse of Mr. George Lu, to be the ultimate controlling shareholders.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed at an extraordinary general meeting held on 15 April 2021, the name of the Company was changed from Huabang Financial Holdings Limited to the present one.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousands, unless otherwise stated.

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

### 2.1 Amendments to HKFRSs that are mandatorily effective for the current year

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

| | |
|---|---|
| Amendments to HKAS1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

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

### 2.2 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

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

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendment to HKFRS 16 | Covid-19 – Related Rent Concessions[4] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[5] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020[2] |

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

### 2.3 New and amendments to HKFRSs in issue but not yet effective *(Continued)*

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

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

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

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

### 3.1 Basis of preparation

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 ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies adopted are set out below.

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

### 3.2 Basis of consolidation

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

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

All intra-group assets, 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.

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

### 3.2 Basis of consolidation *(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 ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

### 3.3 Business combinations

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

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 Share-based Payment at the acquisition date;

- 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 reassessment, the net amount 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.

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

### 3.3 Business combinations *(Continued)*

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.

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

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

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

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

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

### 3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.3 above) 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). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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 in Note 3.5 below.

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

### 3.5 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 over those policies.

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

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

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

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

### 3.5 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 a part 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 or partial disposal of the relevant associates.

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

### 3.6 Revenue recognition

*Revenue from contracts with customers*

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 and 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.

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

### 3.6 Revenue recognition *(Continued)*

*Revenue from contracts with customers (Continued)*

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.

*Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

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

### 3.6 Revenue recognition *(Continued)*

*Existence of significant financing component*

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

(a) Sales of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

### 3.6 Revenue recognition *(Continued)*

*Existence of significant financing component (Continued)*

(b) Provision of underwriting and placing services

The performance obligation is satisfied at a point in time when the customer has received the service from the Group. Commission income from underwriting and placing is recognised when the underlying securities are being written or placed.

(c) Provision of securities brokerage services

The performance obligation is satisfied at a point in time when the customer has received the service from the Group. Commission income on securities dealing and broking is generally due within two days after trade date.

*Revenue from other sources*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### 3.7 Leases

*Definition of a lease*

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

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

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

### 3.7 Leases *(Continued)*

*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.

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

### 3.7 Leases *(Continued)*

*The Group as a lessee (Continued)*

Right-of-use assets *(Continued)*

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("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.

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.

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

### 3.7 Leases *(Continued)*

*The Group as a lessee (Continued)*

Lease liabilities *(Continued)*

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

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

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

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

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

### 3.8 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences 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 foreign 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation 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.

### 3.9 Borrowing costs

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

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

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

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

### 3.10 Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

### 3.11 Retirement benefits costs and short-term employee benefits

(a) *Pension obligations*

The Group participates in general defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

In accordance with the rules and regulations in the People's Republic of China ("PRC"), the PRC based employees of the subsidiary participate in various defined contribution retirement benefit, housing fund, medical insurance and unemployment fund plans organised by the relevant municipal and provincial governments in the PRC under which the subsidiary and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in profit or loss as employee benefit expenses when they are incurred.

(b) *Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the consolidated statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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

### 3.12 Share-based payments

*(a) Equity-settled share-based payment transactions*

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options or awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and awarded shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options or awarded shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options or awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

After vesting, when the share options are forfeited before expiry or expire, the amount previously recognised in "employee share-based compensation reserve" will be transferred to "(accumulated losses)/retained earnings".

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

### 3.12 Share-based payments *(Continued)*

*(a) Equity-settled share-based payment transactions (Continued)*

For the share award scheme, the Group may purchase its own shares through the trustee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as treasury shares and recorded as "Shares held for share award scheme" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the purchased shares are reduced from the "Shares held for share award scheme", and the related fair value of the awarded shares are debited to share-based compensation reserve with the difference charged/credited to equity.

*(b) Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted (loss)/earnings per share.

### 3.13 Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss)/ profit before taxation" as reported in the consolidated statement of profit or loss 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 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 goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

### 3.13 Taxation *(Continued)*

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 when 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.

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

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

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 to equity, in which case, the current tax 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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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

### 3.14 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 purposes. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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.

Depreciation on property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Leasehold improvements | 5 to 10 years or over the remaining lease terms, whichever is a shorter period |
| Owned Properties | 50 years or over the lease terms, whichever is a shorter period |
| Machineries | 3 to 10 years |
| Office equipment | 5 years |
| Furniture and fixtures | 5 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

### 3.15 Intangible assets

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

- Money lending license

  The Group's money lending license has a useful life and is carried at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated using the straight-line method to allocate the cost of the license over its estimated useful life of not more than 5 years.

*Intangible assets acquired in a business combination*

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

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

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

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

### 3.15 Intangible assets *(Continued)*

*Intangible assets acquired in a business combination (Continued)*

- Contractual customer relationships

  Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

### 3.16 Impairment on tangible assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

### 3.16 Impairment on tangible assets and intangible assets other than goodwill *(Continued)*

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

### 3.17 Inventories

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

### 3.18 Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

### 3.19 Financial assets

*3.19.1 Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*3.19.2 Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

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

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

### 3.19 Financial assets *(Continued)*

*3.19.2 Subsequent measurement (Continued)*

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

### 3.19 Financial assets *(Continued)*

*3.19.3 Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment 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.

(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.

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

### 3.19 Financial assets *(Continued)*

*3.19.3 Impairment of financial assets (Continued)*

(i) Significant increase in credit risk *(Continued)*

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, except for cash client receivables, 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.

For cash client receivables, the Group considers there has been a significant increase in credit risk when clients cannot meet the loan call requirement and uses the loan-to-collateral value ("LTV") to make its assessment.

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

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

### 3.19 Financial assets *(Continued)*

*3.19.3 Impairment of financial assets (Continued)*

(ii) Definition of default

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

The Group considers a cash client receivable is in default when LTV is larger than a defined benchmark. However, in certain cases, the Group may also consider a cash client receivable to be in default when there is a significant shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group. A cash client receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

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

### 3.19 Financial assets *(Continued)*

*3.19.3 Impairment of financial assets (Continued)*

(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.

(v) Measurement and recognition of ECL

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the impairment allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the impairment allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the impairment allowance is measured at an amount equal to lifetime ECLs

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

### 3.19 Financial assets *(Continued)*

*3.19.3 Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Lifetime ECL for 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.

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

### 3.19 Financial assets *(Continued)*

*3.19.4 Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

### 3.20 Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement*

Financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives and financial liabilities held for trading. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

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

### 3.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts are reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

### 3.22 Bank balances held on behalf of client

A subsidiary of the Company maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The subsidiary has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the subsidiary is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding account payables to the respective customers in the current liabilities clients on grounds that it is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the subsidiary is not allowed to use the clients' monies to settle its own obligation.

### 3.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held for share award scheme are disclosed as treasury shares and deducted from contributed equity.

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

### 3.24 Related parties

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

(a) the party is a person or a close member of that person's family and 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;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

## 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.

*(a) Provision for ECL allowance on trade receivables*

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision matrix are based on aging as groupings of various customer that have similar loss patterns.

The provision rates are based on the Group's historical observed default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the provision rates are adjusted. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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.

The information about the ECLs on the Group's trade receivables is disclosed in Note 19.

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

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

*(b) Provision for ECL allowance on other financial assets measured at amortised cost*

The Group calculate ECL allowance for other financial assets measured at amortised cost, including loan receivables, cash clients receivables and interest receivables, based on the estimated probability of default of counterparties with similar credit ratings, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition or considers a financial asset in default. Further details are set out in Note 3.19.3.

The information about the ECLs on the Group's other financial assets measured at amortised cost is disclosed in Notes 18, 19 and 20.

*(c) Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit 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 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 2021, the carrying amount of goodwill is HK$52,013,000 (2020: HK$52,013,000) net of accumulated impairment loss of HK$4,641,000 (2020: HK$4,641,000). Details of the recoverable amount calculation are disclosed in Note 14.

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

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

*(d) Useful lives of property, plant and equipment and intangible assets*

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore affect the depreciation and amortisation charges in future periods.

*(e) Current and deferred income tax*

The Group is principally subject to income taxes both in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

As at 31 March 2021, a deferred tax asset of HK$15,227,000 (2020: HK$1,262,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$32,853,000 for non-operating subsidiaries due to the unpredictability of future profit streams.

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of Group's computer and peripheral products business due to the Covid-19 pandemic. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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

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

*(f) Estimated impairment of an associate*

As at 31 March 2021, in view of several impairment indicators of an associate, the Group performed impairment assessment on interest in it. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment taking into account factors, including discount rate, dividend payout rate, etc. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 March 2021, the carrying amount of the associate amounted to HK$nil (2020: HK$7,762,000), after taking into account the impairment of HK$6,258,000 (2020: HK$nil) recognised in profit or loss during the year.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instruments to hedge its risk exposures.

*(a) Market risk*

(i) Foreign exchange risk

The Group operates in Hong Kong and Mainland China and most of their transactions are denominated in Hong Kong dollar ("HK$"), Renminbi ("RMB") and United States dollar ("US$"). The Group is exposed to foreign exchange risk primarily through expenses transactions that are denominated in currencies other than the functional currencies of the group companies. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure as not significant.

At 31 March 2021, if Hong Kong dollar had weakened/strengthened by 5% (2020: 5%) against RMB with all other variables held constant, pre-tax loss for the year would have been HK$36,347 lower/higher (2020: pre-tax profit for the year would have been HK$260 higher/lower), primarily due to exchange gain/loss (2020: gain/loss) arising from revaluation of net RMB denominated monetary liabilities (2020: net RMB denominated monetary liabilities).

As the HK$ is pegged to the US$, the Group does not expect any significant movements in the US$/HK$ exchange rate.

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

*(a) Market risk (Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk from equity instruments held by the Group which is classified in the consolidated statement of finance position as financial assets at fair value through profit or loss. Price risk is the risk of changes in fair value of financial instruments from fluctuations, whether such a change in price is caused by factors specific to the individual instrument or factors affecting all instruments traded in the markets. The Group mitigates its price risk by performing detailed due diligence analysis of investments and dedicated professionals are assigned to oversee and monitor the performance of investments.

At 31 March 2021, if the equity price of financial assets at fair value through profit or loss had been 5% higher/lower, with all other variables held constant, the Group's pre-tax loss for the year ended 31 March 2021 would have decreased/increased approximately by HK$613,000 (2020: pre-tax profit would have increased/decreased approximately by HK$14,000).

(iii) Cash flow interest rate risk

The Group's interest rate risk arises mainly from borrowings. Borrowings carried at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

Based on the sensitivity analysis performed by management, if interest rates had been 100 (2020: 100) basis points higher/lower on the Group's borrowings with all other variable held constant, pre-tax loss for the year would have been HK$3,365,000 higher/lower (2020: the pre-tax profit for the year would have been HK$3,428,000 lower/higher).

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

*(b) Credit risk*

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk at group level and has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The credit risk on liquid funds, including cash and cash equivalents, pledged bank deposits and bank balances held on behalf of clients, is limited because cash at banks are placed with reputable financial institutions in Hong Kong and the PRC which management believes are of sound credit quality and without major credit risk.

For deposits and other receivables (exclude interest receivables), the directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 March 2021 and 2020, the Group assessed the ECL for deposits and other receivables were insignificant and thus no loss allowance was recognised.

The Group has concentrations of credit risk from account receivables from its customers of the trading business. The Group manages and analyses the credit risk for each of their new and existing customers before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customers based on their financial positions, past experience and other factors. The Group's five largest customers of the trading business in aggregate accounted for 84% (2020: all) of the Group's total gross account receivables of the trading business at 31 March 2021. The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from these customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified. Follow-up action is taken to recover the overdue debts.

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

*(b) Credit risk (Continued)*

For the Group's money lending business, the Group manages and analyses the credit risk by making reference to the financial strength, purpose of borrowing, and repayment ability of each of the borrower before incepting business with them. The Group also reviews the latest financial capabilities of the borrowers in determining whether there is credit risk on the loan receivables at any point in time.

The Group considers the loan and respective interest receivables as loss if the repayment of principal and/or interest has been overdue for a pro-longed period and the collection of principal and interest in full is considered improbable after exhausting all collection efforts such as initiation of legal proceedings. Interest income from the top five loan receivables constituted approximately 0.9% (2020: 1.1%) of the Group's revenue for the year ended 31 March 2021. They accounted for approximately 93% (2020: 96%) of the gross loan receivables balances as at 31 March 2021.

The Group has concentrations of credit risk from account receivables from its customers of the securities brokerage business. The Group's five largest customers (excluding clearing house) of the securities brokerage business in aggregate accounted for 82% (2020: 87%) of the Group's total gross account receivables (excluding clearing house) of the securities brokerage business at 31 March 2021. The Group maintains frequent communications with these customers and reviews the recoverable amount for each individual account receivable of the securities brokerage business at each reporting date to ensure that adequate allowance for impairment is made for irrecoverable amounts.

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

*(b) Credit risk (Continued)*

Maximum exposure as at 31 March 2021

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2021 and 2020. The amounts presented are gross carrying amounts for financial assets.

| | **12-month ECLs** | **Lifetime ECLs** | | | |
|---|---|---|---|---|---|
| | **Stage 1** HK$'000 | **Stage 2** HK$'000 | **Stage 3** HK$'000 | **Simplified approach** HK$'000 | HK$'000 |
| Loan receivables | | | | | |
| – Not yet past due | 180,530 | – | 7,000 | – | 187,530 |
| – Past due | – | – | 7,000 | – | 7,000 |
| Trade receivables included in account receivables* | – | – | 87,677 | 17,105 | 104,782 |
| Cash client receivables included in account receivables | | | | | |
| – LTV at 100% or above | – | 134,896 | 45,035 | – | 179,931 |
| – LTV less than 100% | 78,444 | – | – | – | 78,444 |
| Due from clearing house | | | | | |
| – Not yet past due | 341 | – | – | – | 341 |
| Financial assets included in deposits, prepayments and other receivables | | | | | |
| – Not yet past due | 34,707 | – | – | – | 34,707 |
| – Past due | – | – | 525 | – | 525 |
| Bank balances held on behalf clients | | | | | |
| – Not yet past due | 15,089 | – | – | – | 15,089 |
| Pledged bank deposits | | | | | |
| – Not yet past due | 41,427 | – | – | – | 41,427 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 68,286 | – | – | – | 68,286 |
| | 418,824 | 134,896 | 147,237 | 17,105 | 718,062 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 19(b).

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

*(b) Credit risk (Continued)*

Maximum exposure as at 31 March 2020

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** HK$'000 | **Stage 2** HK$'000 | **Stage 3** HK$'000 | **Simplified approach** HK$'000 | HK$'000 |
| Loan receivables | | | | | |
| – Not yet past due | 180,530 | – | – | – | 180,530 |
| – Past due | – | – | 7,000 | – | 7,000 |
| Trade receivables included in account receivables* | – | – | – | 98,450 | 98,450 |
| Cash client receivables included in account receivables | | | | | |
| – LTV at 100% or above | – | 70,930 | 44,257 | – | 115,187 |
| – LTV less than 100% | 104,316 | – | – | – | 104,316 |
| Due from clearing house | | | | | |
| – Not yet past due | 1,819 | – | – | – | 1,819 |
| Financial assets included in deposits, prepayments and other receivables | | | | | |
| – Not yet past due | 19,634 | – | – | – | 19,634 |
| – Past due | – | – | 525 | – | 525 |
| Bank balances held on behalf clients | | | | | |
| – Not yet past due | 13,741 | – | – | – | 13,741 |
| Pledged bank deposits | | | | | |
| – Not yet past due | 40,915 | – | – | – | 40,915 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 117,682 | – | – | – | 117,682 |
| | 478,637 | 70,930 | 51,782 | 98,450 | 699,799 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 19(b).

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

(c) *Liquidity risk*

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

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

| | **Weighted average interest rate** | **On demand** HK$'000 | **Less than 1 year** HK$'000 | **Total** HK$'000 | **Carrying amount** HK$'000 |
|---|---|---|---|---|---|
| **As at 31 March 2021** | | | | | |
| Account and other payables | – | 40,035 | 4,815 | 44,850 | 44,850 |
| Borrowings | 2.50% | 356,166 | – | 356,166 | 346,759 |
| | | 396,201 | 4,815 | 401,016 | 391,609 |

| | **Weighted average interest rate** | **On demand** HK$'000 | **Less than 1 year** HK$'000 | **Total** HK$'000 | **Carrying amount** HK$'000 |
|---|---|---|---|---|---|
| **As at 31 March 2020** | | | | | |
| Account and other payables | – | 83,616 | 1,725 | 85,341 | 85,341 |
| Bank borrowings | 3.86% | 380,651 | – | 380,651 | 342,754 |
| | | 464,267 | 1,725 | 465,992 | 428,095 |

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.1 Financial risk factors *(Continued)*

*(c) Liquidity risk (Continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$346.76 million (2020:HK$342.75 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

| | Less than 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2021** | 241,889 | 6,530 | 107,747 | – | 356,166 | 346,759 |
| **As at 31 March 2020** | 238,057 | 8,361 | 25,082 | 109,151 | 380,651 | 342,754 |

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.2 Capital risk management

The Group's 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (the sum of total equity and net debt), as shown in the consolidated statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits.

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. The gearing ratios as at 31 March 2021 and 2020 were as follows:

| | **As at 31 March** | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Borrowings (Note 31) | **346,759** | 342,754 |
| Less: Cash and cash equivalents (Note 23) and pledged bank deposits | **(109,713)** | (158,597) |
| Net debt | **237,046** | 184,157 |
| Total equity | **533,876** | 626,923 |
| Total capital | **770,922** | 811,080 |
| Gearing ratio | **30.75%** | 22.71% |

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.3 Fair value and fair value hierarchy of financial instruments

*(a) Financial instruments measured at fair value*

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

| | Fair value measurements using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **31 March 2021** | | | | |
| Financial assets at fair value through profit or loss | 12,263 | – | – | 12,263 |

| | Fair value measurements using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **31 March 2020** | | | | |
| Financial assets at fair value through profit or loss | 285 | – | – | 285 |

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: nil).

*(b) Financial instruments not measured at fair value*

The carrying amounts of the Group's other financial instruments including cash and cash equivalents, pledged bank deposits, bank balances held on behalf of clients, loan receivables, account receivables, financial assets included in deposits, prepayments and other receivables, account payables, borrowings and financial liabilities included in other payables and accrued expenses approximate their respective fair values.

## 6 REVENUE AND SEGMENT INFORMATION

**Revenue**

An analysis of revenue is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **Revenue from contracts with customers (Note i)** | **1,977,119** | 905,045 |
| **Revenue from other sources** | | |
| *Interest income calculated using the effective interest method from:* | | |
| – loan receivables | **17,913** | 12,113 |
| – cash client receivables | **28,648** | 16,480 |
| | **46,561** | 28,593 |
| **Total revenue** | **2,023,680** | 933,638 |

(i) *Disaggregated revenue information for revenue from contracts with customers*

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **Type of goods or services** | | |
| *Sales of goods* | **1,976,348** | 904,005 |
| *Service income* | | |
| – Provision of underwriting and placing services | **248** | 86 |
| *Commission income* | | |
| – Provision of securities brokerage services | **523** | 954 |
| | **1,977,119** | 905,045 |
| **Timing of revenue recognition** | | |
| A point in time | **1,977,119** | 905,045 |

All the sales of goods, service income and commission income have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information**

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

The CODM considers that the Group has two operating and reporting segments which are (i) computer and peripheral products business and (ii) financial services business (including securities brokerage business, advisory services business and money lending business).

The CODM assesses the performance of the operating segments based on segment (loss)/profit. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of the respective segments. Unallocated expenses are not included in the result for each operating segment that is reviewed by the CODM.

Segment assets consist primarily of intangible assets, inventories, account receivables, loan receivables, allocated deposits, prepayments and other receivables where appropriate, financial assets at fair value through profit or loss where appropriate, pledged bank deposits, cash and cash equivalents where appropriate and bank balances held on behalf of clients. They exclude interest in an associate, property, plant and equipment, deferred tax assets, income tax recoverable and other unallocated assets, which are managed centrally.

Segment liabilities consist primarily of account payables, allocated borrowings where appropriate, allocated other payables and accrued expenses where appropriate and contract liabilities. They exclude deferred tax liabilities, income tax payables and other unallocated liabilities, which are managed centrally.

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Segment revenues and results*

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

| | For the year ended 31 March 2021 | | |
|---|---|---|---|
| | Computer and peripheral products business HK$'000 | Financial services business HK$'000 | Total HK$'000 |
| Revenue from external customers | 1,976,348 | 47,332 | 2,023,680 |
| Cost of sales from external customers | (1,960,924) | – | (1,960,924) |
| | 15,424 | 47,332 | 62,756 |
| Selling expenses | (1,268) | (96) | (1,364) |
| General and administrative expenses | (9,556) | (8,003) | (17,559) |
| Expected credit loss on financial assets, net | (88,010) | (18,341) | (106,351) |
| Other (expenses)/income and (losses)/ gains, net | (126) | 1,226 | 1,100 |
| Finance costs | (5,645) | (263) | (5,908) |
| Segment (loss)/profit | (89,181) | 21,855 | (67,326) |
| Share of net loss of an associate accounted for using equity method | | | (1,946) |
| Impairment loss on interest in an associate | | | (6,258) |
| Unallocated expenses | | | (30,380) |
| Loss before income tax | | | (105,910) |
| Income tax credit | | | 12,462 |
| Loss for the year | | | (93,448) |

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Segment revenues and results (Continued)*

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments: *(Continued)*

| | For the year ended 31 March 2020 | | |
|---|---|---|---|
| | **Computer and peripheral products business** HK$'000 | **Financial services business** HK$'000 | **Total** HK$'000 |
| Revenue from external customers | 904,005 | 29,633 | 933,638 |
| Cost of sales from external customers | (867,481) | – | (867,481) |
| | 36,524 | 29,633 | 66,157 |
| Selling expenses | (770) | – | (770) |
| General and administrative expenses | (12,587) | (9,797) | (22,384) |
| Expected credit loss on financial assets, net | 513 | (5,638) | (5,125) |
| Other income and gains, net | 10,748 | 168 | 10,916 |
| Finance costs | (6,665) | – | (6,665) |
| Segment profit | 27,763 | 14,366 | 42,129 |
| Share of net loss of associates accounted for using equity method | | | (2,052) |
| Unallocated expenses | | | (24,738) |
| Profit before income tax | | | 15,339 |
| Income tax expense | | | (5,597) |
| Profit for the year | | | 9,742 |

Interest revenue of HK$46,561,000 (2020: HK$28,593,000) was included in revenue from external customers, wholly contributed by financial services business segment.

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Segment assets and liabilities*

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

**31 March 2021**

| | Computer and peripheral products business HK$'000 | Financial services business HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment assets | 149,149 | 492,464 | 641,613 |
| Segment liabilities | 351,244 | 26,763 | 378,007 |

**31 March 2020**

| | Computer and peripheral products business HK$'000 | Financial services business HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment assets | 317,823 | 457,219 | 775,042 |
| Segment liabilities | 333,011 | 14,059 | 347,070 |

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Segment assets and liabilities (Continued)*

The reconciliations of segment assets to total assets and segment liabilities to total liabilities are provided as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **Segment assets** | **641,613** | 775,042 |
| Cash and cash equivalents | **1,233** | 4,357 |
| Property, plant and equipment | **255,638** | 265,514 |
| Deposits, prepayments and other receivables | **789** | 836 |
| Financial assets at fair value through profit or loss | **11,745** | – |
| Deferred tax assets | **22,887** | 7,378 |
| Interest in an associate | **–** | 7,762 |
| Income tax recoverable | **2,084** | 1,047 |
| **Total assets** | **935,989** | 1,061,936 |
| **Segment liabilities** | **378,007** | 347,070 |
| Deferred tax liabilities | **163** | 840 |
| Income tax payables | **7,424** | 4,881 |
| Borrowings | **15,003** | 82,014 |
| Other unallocated liabilities | **1,516** | 208 |
| **Total liabilities** | **402,113** | 435,013 |

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Other segment information*

| | For the year ended 31 March 2021 | | |
|---|---|---|---|
| | **Computer and peripheral products business** HK$'000 | **Financial services business** HK$'000 | **Total** HK$'000 |
| Additions to property, plant and equipment | 1,072 | 29 | 1,101 |
| Depreciation of property, plant and equipment | 1,547 | 138 | 1,685 |
| Amortisation of intangible assets | – | 1,128 | 1,128 |
| Impairment of inventories | 1,689 | – | 1,689 |

| | For the year ended 31 March 2020 | | |
|---|---|---|---|
| | **Computer and peripheral products business** HK$'000 | **Financial services business** HK$'000 | **Total** HK$'000 |
| Additions to property, plant and equipment | 171 | 8 | 179 |
| Depreciation of property, plant and equipment | 1,499 | 175 | 1,674 |
| Amortisation of intangible assets | – | 1,241 | 1,241 |
| Impairment of inventories | 122 | – | 122 |

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Geographical information*

The Group's operations are located in Hong Kong and the PRC.

Majority of the Group's revenue were derived from operations located in Hong Kong.

Information about the Group's total non-current assets (excluding deferred tax assets) is presented below based on the geographical location of the assets:

| | **As at 31 March** | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Hong Kong | **317,732** | 329,138 |
| The PRC | **916** | 8,862 |
| | **318,648** | 338,000 |

*Information about major customers*

Revenue from the top five customers for all reportable segments is as follows:

| | **Year ended 31 March** | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Revenue from top five customers | **1,714,790** | 870,769 |
| Total revenue | **2,023,680** | 933,638 |
| Percentage | **85%** | 93% |
| Number of customers that individually accounted for more than 10% of the Group's revenue | **1** | 4 |

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

**Segment information** *(Continued)*

*Information about major customers (Continued)*

For the year ended 31 March 2021, there was one customer individually contributing over 10% of the total revenue of the Group. The revenue was arisen from computer and peripheral products business and amounting to HK$1,142,855,000 for the year ended 31 March 2021, its corresponding revenue for year ended 31 March 2020 did not contribute over 10% of the total revenue of the Group.

For the year ended 31 March 2020, there were four customers individually contributing over 10% of the total revenue of the Group. The revenue was arisen from computer and peripheral products business and amounting to HK$417,038,000, HK$214,592,000, HK$113,874,000 and HK$108,609,000 respectively; their corresponding revenue for the year ended 31 March 2021 did not contribute over 10% of the total revenue of the Group.

## 7 EXPECTED CREDIT LOSS ON FINANCIAL ASSETS, NET

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Loan receivables (Note 18) | **5,862** | 987 |
| Cash client receivables (Note 19) | **12,413** | 4,602 |
| Trade receivables (Note 19) | **88,010** | (513) |
| Interest receivables (Note 20) | **66** | 49 |
| | **106,351** | 5,125 |

## 8 OTHER (EXPENSES)/INCOME AND (LOSSES)/GAINS, NET

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Finance income | **658** | 9,710 |
| Exchange (losses)/gains | **(983)** | 933 |
| Gain on disposal of interest of an associate (Note 16(c)) | **–** | 2 |
| Loss on disposal of property, plant and equipment (Note 35(a)/(b)) | **–** | (108) |
| Realised gain/(loss) on disposal of equity investments at fair value through profit or loss | **220** | (52) |
| Unrealised loss on the change in fair value of equity investments at fair value through profit or loss | **(2,703)** | (501) |
| Handling fee income | **935** | 746 |
| Dividend income from listed securities | **7** | – |
| Write-back of other payables | **–** | 236 |
| Others | **44** | 241 |
| Total | **(1,822)** | 11,207 |

## 9 FINANCE COSTS

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Finance costs | | |
| – Interest expenses on bank and other borrowings | **7,913** | 9,529 |

## 10 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

### (a) Employee benefit expenses (including directors' emoluments)

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Short term employee benefits | **16,730** | 16,162 |
| Post-employment benefits (Note i) | **469** | 457 |
| Others | **88** | 10 |
| | **17,287** | 16,629 |

Notes

(i) These mainly represent:

- the Group's contributions to the Mandatory Provident Funds (MPF) for employees working in Hong Kong. Under the MPF scheme, each of the group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings with a maximum of HK$1,500 for employee's monthly contribution as defined under the Hong Kong Mandatory Provident Funds legislations.

- the Group's contributions to defined contribution pension plans in the PRC for employees working in the PRC. These pension plans are organised by the respective municipal and provincial government of the PRC. These PRC subsidiaries are required to contribute certain percentage of the employees' basic salaries to the pension plans depending on the applicable local regulations.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

(ii) For the year ended 31 March 2021, Covid-19 related government grants under "Employment Support Scheme" of the Hong Kong government, amounting to HK$1,478,000, have been offset against employee benefit expenses.

## 10 (LOSS)/PROFIT BEFORE INCOME TAX *(Continued)*

(Loss)/profit before income tax has been arrived at after charging: *(Continued)*

### (b) Other items

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Cost of inventories sold | **1,959,235** | 867,359 |
| Auditor's remuneration | | |
| – audit service | **1,220** | 1,202 |
| – non-audit service | **50** | – |
| Depreciation of property, plant and equipment (Note 13) | **11,646** | 11,755 |
| Amortisation of intangible assets (Note 14) | **1,128** | 1,241 |
| Short-term lease rentals of premises | **532** | 2,310 |
| Service fees for broker supplied systems | **1,374** | 1,357 |
| Impairment of inventories (Note 17) | **1,689** | 122 |

## 11 INCOME TAX (CREDIT)/EXPENSE

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Current income tax | | |
| – Hong Kong profits tax | **3,810** | 5,247 |
| Over-provision in prior year | **(86)** | (1,094) |
| Deferred income tax (Note 28) | **(16,186)** | 1,444 |
| | **(12,462)** | 5,597 |

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

The Group has no assessable profit in PRC during the reporting period and is not subject to any PRC corporate income tax. The PRC corporate income tax rate during the reporting period is 25%.

## 11 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| (Loss)/profit before income tax | **(105,910)** | 15,339 |
| Tax calculated at domestic tax rates applicable to (loss)/profit in the respective jurisdictions | **(17,383)** | 2,485 |
| Tax effects of: | | |
| – Expenses not deductible | **211** | 580 |
| – Income not subject to tax | **(214)** | (385) |
| – Temporary difference not recognised | **1,101** | 4,326 |
| – Tax losses not recognised | **3,909** | 1,053 |
| – Utilisation of previously unrecognised tax losses | **–** | (1,368) |
| – Over-provision in prior year | **(86)** | (1,094) |
| Tax (credit)/charge | **(12,462)** | 5,597 |

## 12 (LOSS)/EARNINGS PER SHARE

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company for share award scheme.

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| (Loss)/profit attributable to owners of the Company (HK$'000) | **(93,108)** | 5,607 |
| Weighted average number of ordinary shares in issue | **4,342,038,000** | 4,352,533,475 |
| Basic (loss)/earnings per share | **HK(2.14) cent** | HK0.13 cent |

### (b) Diluted

Diluted (loss)/earnings per share for the years ended 31 March 2021 and 2020 was the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2021 and 2020.

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Owned properties HK$'000 | Leasehold improvements HK$'000 | Office equipment HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **31 March 2021** | | | | | | |
| Opening net book amount | 263,772 | 8,935 | 1,107 | 874 | 1,605 | 276,293 |
| Additions | – | 1,000 | 61 | 40 | – | 1,101 |
| Depreciation (Note 10(b)) | (9,444) | (1,116) | (311) | (275) | (500) | (11,646) |
| Exchange realignment | – | 23 | – | – | 60 | 83 |
| Closing net book amount | 254,328 | 8,842 | 857 | 639 | 1,165 | 265,831 |
| **At 31 March 2021** | | | | | | |
| Cost | 292,153 | 13,306 | 1,733 | 1,523 | 3,226 | 311,941 |
| Accumulated depreciation | (37,825) | (4,464) | (876) | (884) | (2,061) | (46,110) |
| Net book amount | 254,328 | 8,842 | 857 | 639 | 1,165 | 265,831 |

## 13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| | Owned properties HK$'000 | Leasehold improvements HK$'000 | Office equipment HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **31 March 2020** | | | | | | |
| Opening net book amount | 273,216 | 9,735 | 1,247 | 1,243 | 2,322 | 287,763 |
| Additions | – | 285 | 171 | 8 | – | 464 |
| Disposals | – | – | (19) | (94) | – | (113) |
| Depreciation (Note 10(b)) | (9,444) | (1,085) | (292) | (283) | (651) | (11,755) |
| Exchange realignment | – | – | – | – | (66) | (66) |
| Closing net book amount | 263,772 | 8,935 | 1,107 | 874 | 1,605 | 276,293 |
| **At 31 March 2020** | | | | | | |
| Cost | 292,153 | 12,306 | 1,672 | 1,483 | 3,226 | 310,840 |
| Accumulated depreciation | (28,381) | (3,371) | (565) | (609) | (1,621) | (34,547) |
| Net book amount | 263,772 | 8,935 | 1,107 | 874 | 1,605 | 276,293 |

Depreciation of the Group's property, plant and equipment of HK$11,646,000 (2020: HK$11,755,000) was included in general and administrative expenses in the consolidated income statement.

At 31 March 2021, the Group's owned properties with a net carrying amount of HK$254,328,000 (2020: HK$263,772,000) were pledged to secure general banking facilities granted to the Group (Note 31).

## 14 INTANGIBLE ASSETS

| | Goodwill HK$'000 | Money lending license HK$'000 | Contractual customer relationship HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **31 March 2021** | | | | |
| Opening carrying amount | 52,013 | 453 | 788 | 53,254 |
| Amortisation (Note 10(b)) | – | (340) | (788) | (1,128) |
| Closing carrying amount | 52,013 | 113 | – | 52,126 |
| **At 31 March 2021** | | | | |
| Cost | 56,654 | 1,703 | 2,756 | 61,113 |
| Accumulated amortisation and impairment | (4,641) | (1,590) | (2,756) | (8,987) |
| Net carrying amount | 52,013 | 113 | – | 52,126 |
| **31 March 2020** | | | | |
| Opening carrying amount | 52,013 | 794 | 1,688 | 54,495 |
| Amortisation (Note 10(b)) | – | (341) | (900) | (1,241) |
| Closing carrying amount | 52,013 | 453 | 788 | 53,254 |
| **At 31 March 2020** | | | | |
| Cost | 56,654 | 1,703 | 2,756 | 61,113 |
| Accumulated amortisation and impairment | (4,641) | (1,250) | (1,968) | (7,859) |
| Net carrying amount | 52,013 | 453 | 788 | 53,254 |

For the year ended 31 March 2021, amortisation charge of HK$1,128,000 (2020: HK$1,241,000) was included in general and administrative expenses in the consolidated income statement.

## 14 INTANGIBLE ASSETS *(Continued)*

**Money lending license**

In July 2016, the Group acquired a money lending license in Hong Kong through acquisition of a Hong Kong incorporated company. The money lending license has a legal life of one year but is renewable at insignificant cost. The directors of the Company are of the opinion that the Group could renew the money lending license and maintain the license continuously. At the end of the reporting period, the remaining amortisation period of the money lending license is 4 months (2020: 16 months).

**Contractual customer relationships**

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of the customer relationship.

The useful life of customer relationship recognised during acquisition of Huabang Securities Limited ("Huabang Securities") was three years. At the end of the reporting period, the remaining amortisation period of the contractual customer relationship of Huabang Securities is nil months (2020: 10.5 months).

## 14 INTANGIBLE ASSETS *(Continued)*

**Goodwill**

The table below sets out the information for the goodwill allocated to the following CGUs:

| | Corporate finance cash-generating unit HK$'000 | Securities brokerage cash-generating unit HK$'000 |
|---|---|---|
| Cost | | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 | 4,641 | 52,013 |
| Accumulated impairment | | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 | (4,641) | – |
| Carrying amount | | |
| At 31 March 2020 | – | 52,013 |
| At 31 March 2021 | – | 52,013 |

## 14 INTANGIBLE ASSETS *(Continued)*

**Goodwill** *(Continued)*

*Impairment tests for goodwill*

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Corporate finance cash-generating unit; and
- Securities brokerage cash-generating unit.

Corporate finance cash-generating unit

The Group recognised goodwill of HK$4,641,000 during the year ended 31 March 2017 as a result of acquisition of the equity interest in Huabang Financial Limited ("Huabang Financial"). Huabang Financial is an investment holding company. Its wholly-owned subsidiary, Huabang Corporate Finance Limited, is principally engaged in the corporate finance advisory business in Hong Kong (the "Corporate Finance CGU").

In the view of the reduced business activities forecasted for the corporate finance business in the foreseeable future, management considered the value in use of the Corporate Finance CGU was lower than its carrying amount. Accordingly, the goodwill was impaired and an impairment loss of HK$4,641,000 was recognised in profit or loss for the year ended 31 March 2019.

Securities brokerage cash-generating unit

The Group recognised goodwill of HK$52,013,000 during the year ended 31 March 2018 as a result of acquisition of the equity interest in Huabang Securities. Huabang Securities is principally engaged in the securities brokerage business in Hong Kong (the "Securities Brokerage CGU").

The recoverable amount of the CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period (2020: 5-year). Cash flows beyond the one-year period are projected for the next four-year period using the estimated growth in revenue and gross profit margin. Thereafter, the cash flows are extrapolated using the terminal growth rate not exceeding the long-term average growth rate for the business in which the CGU operate.

## 14 INTANGIBLE ASSETS *(Continued)*

**Goodwill** *(Continued)*

*Impairment tests for goodwill (Continued)*

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

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| Revenue growth rate | **3.3%-16%** | 5%-55.6% |
| Terminal growth rate | **3%** | 3% |
| Discount rate (pre-tax) | **15.4%** | 16.5% |

Management determined the budgeted revenue based on their expectations of market developments with the growth rates being estimated based on the industry forecasts and management's expectations. The terminal growth rate is based on the expected inflation rate. The discount rates reflect specific risks relating to the relevant operating segments.

As at 31 March 2021, the estimated recoverable amount of the Securities brokerage CGU is HK$86,568,000, which exceeded its carrying value by HK$31,249,000 and the directors are of the opinion that there was no impairment of goodwill as at 31 March 2021 (2020: nil).

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the Securities brokerage CGU to exceed its recoverable amount.

## 15 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2021 and 2020, are as follows:

| Name | Legal status | Place and date of incorporation | Principal activities | Particulars of issued registered/ paid up capital | Interest held 2021 | Interest held 2020 |
|---|---|---|---|---|---|---|
| **Directly owned:** | | | | | | |
| Golden Profit Global Trading Limited | Limited liability company | British Virgin Islands ("BVI"), 16 November 2010 | Investment holding | US$10,000 | 100% | 100% |
| **Indirectly owned:** | | | | | | |
| Top Harvest Capital Limited | Limited liability company | BVI, 4 January 2011 | Property holding | US$100 | 100% | 100% |
| Goldenmars Technology (Hong Kong) Limited | Limited liability company | Hong Kong, 26 April 2005 | Assembling and trading of electronic components and products | HK$43,000,000 | 100% | 100% |
| Goldenmars Components Company Limited (Note i) | Limited liability company | Hong Kong, 28 May 2019 | Assembling and trading of electronic components and products | US$1,000,000 | 51% | 51% |
| Huabang Finance Limited | Limited liability company | Hong Kong, 27 August 2015 | Money lending business | HK$10,000 | 100% | 100% |
| Huabang Financial Investments Limited | Limited liability company | BVI, 26 May 2017 | Property holding | US$100 | 100% | 100% |
| Huabang Corporate Finance Limited | Limited liability company | Hong Kong, 27 August 2015 | Advisory services business | HK$15,000,000 | 100% | 100% |
| Huabang Securities Limited | Limited liability company | Hong Kong, 4 July 1996 | Securities brokerage business | HK$97,500,000 | 100% | 100% |

## 15 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Note:

(i) On 28 May 2019, Goldenmars Components Company Limited was incorporated by Goldenmars Technology (Hong Kong) Limited. Goldenmars Technology (Hong Kong) Limited disposed 49% shareholding to an independent third party on 3 September 2019.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### (i) Goldenmars Components Company Limited

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Current assets | **31,898** | 81,953 |
| Non-current assets | **138** | 9 |
| Current liabilities | **(17,512)** | (65,724) |
| Equity attributable to owners of the Company | **7,407** | 8,281 |
| Non-controlling interests | **7,117** | 7,957 |
| Revenue | **666,949** | 336,588 |
| Expenses | **(667,644)** | (328,150) |
| (Loss)/profit and total comprehensive (expense)/income for the year | **(695)** | 8,438 |
| (Loss)/profit and total comprehensive (expense)/income attributable to owners of the Company | **(355)** | 4,303 |
| (Loss)/profit and total comprehensive (expense)/income attributable to the non-controlling interests | **(340)** | 4,135 |
| (Loss)/profit and total comprehensive (expense)/income for the year | **(695)** | 8,438 |
| Dividends paid to non-controlling interests | **500** | – |
| Net cash inflow/(outflow) from operating activities | **57,647** | (61,407) |
| Net cash inflow from investing activities | **1** | 1 |
| Net cash (outflow)/inflow from financing activities | **(56,119)** | 68,025 |
| Net cash inflow | **1,529** | 6,619 |

## 16 INTEREST IN AN ASSOCIATE

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Costs of investment in an associate | **9,921** | 9,921 |
| Share of post-acquisition loss and other comprehensive expense, net of dividends received | **(3,996)** | (2,050) |
| Impairment loss recognised (note b) | **(6,258)** | – |
| Exchange adjustments | **333** | (109) |
| | **–** | 7,762 |
| Share of loss of associates during the year | **(1,946)** | (2,052) |

Particulars of the Group's associate are as follows:

| Name | Particulars of issued registered/ paid up capital | Place of incorporation/ establishment | Percentage of | | | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| | | | Ownership interest | | Voting power | | Profit sharing | | |
| | | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| Hangzhou Shierzhangwen Wenhua Chuanbo Company Limited ("Shierzhangwen") 杭州十二章紋文化傳播有限公司 | RMB11,641,384 | PRC | 40% | 40% | 40% | 40% | 40% | 40% | Publication of comic books |

Notes:

(a) On 8 May 2019, the Group entered into a sales and purchase agreement to acquire 40% of equity interest in Shierzhangwen at cash consideration of RMB4,400,000 (approximately HK$4,820,000). The company is engaged in publication of comic books.

In the same agreement, there was a capital injection of RMB1,600,000 (approximately HK$1,753,000) by the Group which was in proportion to the respective existing shareholding in Shierzhangwen.

On 11 December 2019, the Group entered into a capital increase agreement, pursuant to which the Group has agreed to contribute RMB3,000,000 (approximately HK$3,348,000) in cash for 40% of the enlarged registered capital of Shierzhangwen.

## 16 INTEREST IN AN ASSOCIATE *(Continued)*

Notes: *(Continued)*

(a) Summarised financial information in respect of each of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes.

**Shierzhangwen**

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Current assets | **6,456** | 6,808 |
| Non-current assets | **1,170** | 244 |
| Current liabilities | **(9,321)** | (3,964) |
| Revenue | **6,184** | 4,045 |
| Loss and total comprehensive expense for the year | **(4,866)** | (5,126) |
| Dividends received from the associate during the year | **–** | – |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shierzhangwen recognised in the consolidated financial statements:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Net (liabilities)/assets of the associate | **(1,695)** | 3,088 |
| Proportion of the Group's ownership interest in Shierzhangwen | **40%** | 40% |
| Group's share of net (liabilities)/assets of the associate | **(678)** | 1,235 |
| Goodwill | **6,875** | 6,875 |
| Exchange adjustments | **61** | (348) |
| Impairment loss recognised | **(6,258)** | – |
| Carrying amount of the Group's interest in Shierzhangwen | **–** | 7,762 |

## 16 INTEREST IN AN ASSOCIATE *(Continued)*

Notes: *(Continued)*

(b) For the year ended 31 March 2021, in view of the continuous unsatisfactory results of Shierzhangwen, the management of the Group carried out an impairment review on the carrying amount of its interest in Shierzhangwen by comparing its recoverable amount with its carrying amount. The recoverable amount is determined using value-in-use calculation. In determining the value in use of Shierzhangwen, the management of the Group estimated present value of the future cash flows expected to arise from the operation of Shierzhangwen and applied a pre-tax weighted average cost of capital discount rate of 6%. In pursuant to the recoverable amount assessment, the recoverable amount of Shierzhangwen is estimated to be lower than its carrying value and accordingly, an impairment loss of HK$6,258,000 is recognised in profit or loss.

(c) On 5 March 2019, Goldenmars Technology (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, pursuant to which Goldenmars Technology (Hong Kong) Limited has agreed to invest 40% of equity interest in Become Brilliant Limited ("Become Brilliant") with a total investment of HK$40,000,000, to be satisfied by cash. At 31 March 2019, an amount of HK$30,000,000 was paid for the capital contribution and Goldenmars Technology (Hong Kong) Limited had a commitment of HK$10,000,000 relating to the future capital contribution payable to Become Brilliant.

During the period from 5 March 2019 to 31 March 2019, there was no share of profit nor loss recorded.

(d) On 20 May 2019, Goldenmars Technology (Hong Kong) Limited has fully paid for the capital commitment by cash.

On 29 September 2019, Goldenmars Technology (Hong Kong) Limited has entered into another transaction with an independent third party to dispose of its entire interest in Become Brilliant for proceeds of HK$40,000,000.

The transaction has resulted in the recognition of a gain in the year ended 31 March 2020, calculated as follows.

| | HK$'000 |
|---|---|
| Proceeds of disposal | 40,000 |
| Less: carrying amount of the investment on the date of loss of significant influence | 39,998 |
| Gain recognised | 2 |

## 17 INVENTORIES

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Finished goods | **15,501** | 61,006 |
| Less: provision for impairment of inventories | **(1,811)** | (122) |
| | **13,690** | 60,884 |

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$1,960,924,000 (2020: HK$867,481,000), which include an impairment of inventories of HK$1,689,000 (2020: HK$122,000).

Movements in provision for impairment of inventories are as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Beginning of the year | **122** | – |
| Provision for impairment of inventories (Note 10(b)) | **1,689** | 122 |
| End of the year | **1,811** | 122 |

## 18 LOAN RECEIVABLES

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Loan receivables | **194,530** | 187,530 |
| Less: Impairment | | |
| – Stage 1 | **(1,065)** | (1,083) |
| – Stage 2 | **–** | – |
| – Stage 3 | **(12,880)** | (7,000) |
| | **180,585** | 179,447 |

The Group's loan receivables, which arise from its money lending business in Hong Kong, are denominated in Hong Kong dollars, unsecured, bearing fixed interest rate, and recoverable within one year from the dates of inception of the loan agreements.

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date, net of impairment allowance, is as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Current – within one year | **180,585** | 179,447 |

An aging analysis of the loan receivables as at the end of the reporting periods, based on the due date and net of impairment allowance, is as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Not past due | **180,585** | 179,447 |

## 18 LOAN RECEIVABLES *(Continued)*

The following is the analysis of the gross carrying amount of the loan receivables as at 31 March 2021 and 2020 by the past due date and year end classification:

**As at 31 March 2021**

| | Stage 1<br>HK$'000 | Stage 2<br>HK$'000 | Stage 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Not past due | **180,530** | **–** | **7,000** | **187,530** |
| Past due over 90 days | **–** | **–** | **7,000** | **7,000** |
| | **180,530** | **–** | **14,000** | **194,530** |

**As at 31 March 2020**

| | Stage 1<br>HK$'000 | Stage 2<br>HK$'000 | Stage 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Not past due | 180,530 | – | – | 180,530 |
| Past due over 90 days | – | – | 7,000 | 7,000 |
| | 180,530 | – | 7,000 | 187,530 |

The movements in the impairment allowance of loan receivables are as follows:

| | Stage 1<br>HK$'000 | Stage 2<br>HK$'000 | Stage 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| As at 1 April 2020 | **1,083** | **–** | **7,000** | **8,083** |
| Changes due to financial instruments recognised as at 1 April 2020 | | | | |
| – Impairment losses reversed | **(18)** | **–** | **–** | **(18)** |
| New financial assets originated or purchased | **–** | **–** | **5,880** | **5,880** |
| As at 31 March 2021 | **1,065** | **–** | **12,880** | **13,945** |
| ECL rate | **0.59%** | **N/A** | **92.00%** | **7.17%** |

## 18 LOAN RECEIVABLES *(Continued)*

During the year ended 31 March 2021, included in the impairment allowance of approximately HK$5,880,000 from new financial assets originated or purchased under Stage 3 was mainly related to the gross carrying amount of HK$7,000,000. The Company has assessed the relevant borrower's financial background, repayment abilities and expected future cash flows; and determined that an impairment allowance of approximately HK$5,880,000 was provided.

| | **Stage 1** HK$'000 | **Stage 2** HK$'000 | **Stage 3** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|
| As at 1 April 2019 | 96 | – | 7,000 | 7,096 |
| Changes due to financial instruments recognised as at 1 April 2020 | | | | |
| – Impairment losses reversed | (96) | – | – | (96) |
| New financial assets originated or purchased | 1,083 | – | – | 1,083 |
| As at 31 March 2020 | 1,083 | – | 7,000 | 8,083 |
| ECL rate | 0.60% | N/A | 100.00% | 4.31% |

The increase in the impairment allowance during the year ended 31 March 2020 was because of the increase in gross loan receivables of HK$165,230,000.

## 19 ACCOUNT RECEIVABLES

| | Notes | As at 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Trade receivables | (b) | **104,782** | 98,450 |
| Cash client receivables | (a) | **258,375** | 219,503 |
| Due from clearing house | (c) | **341** | 1,819 |
| | | **363,498** | 319,772 |
| Less: Impairment | | **(137,219)** | (36,796) |
| | | **226,279** | 282,976 |

Account receivables are denominated in the following currencies:

| | As at 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| HK$ | **209,775** | 184,794 |
| US$ | **16,504** | 98,182 |
| | **226,279** | 282,976 |

Other than those disclosed in Note (a) below, the Group does not hold any collateral as security for other account receivables.

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes:

(a) Analysis of cash client receivables

The carrying amount of cash client receivables of the Group was as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Cash client receivables | **258,375** | 219,503 |
| Less: Impairment | | |
| – Stage 1 | **(9)** | (77) |
| – Stage 2 | **(10,896)** | (658) |
| – Stage 3 | **(38,036)** | (35,793) |
| | **209,434** | 182,975 |

(i) At 31 March 2021, the Group held securities with an aggregate fair value of HK$404,232,000 (2020: HK$434,380,000) as collaterals over the receivables. The cash client receivables are interest-bearing and have no fixed repayment terms.

No aging analysis is disclosed as in the opinion of the directors, the aging analysis does not give additional value in view of the nature of securities brokerage business.

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) Analysis of cash client receivables *(Continued)*

(ii) The following is the analysis of the gross carrying amount of the cash client receivables as at 31 March 2021 and 2020 by Loan-to-collateral value ("LTV") and year end classification:

**As at 31 March 2021**

| | 12-month ECLs | Lifetime ECLs | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| LTV at 100% or above | **–** | **134,896** | **45,035** | **179,931** |
| LTV less than 100% | **78,444** | **–** | **–** | **78,444** |
| | **78,444** | **134,896** | **45,035** | **258,375** |

**As at 31 March 2020**

| | 12-month ECLs | Lifetime ECLs | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| LTV at 100% or above | – | 70,930 | 44,257 | 115,187 |
| LTV less than 100% | 104,316 | – | – | 104,316 |
| | 104,316 | 70,930 | 44,257 | 219,503 |

For the gross receivables of stage 3 cash client receivables, fair value of marketable securities pledged was HK$8,301,000 (2020: HK$9,959,000).

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) Analysis of cash client receivables *(Continued)*

(iii) The movements in the impairment allowance of cash client receivables were as follows:

| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| As at 1 April 2020 | **77** | **658** | **35,793** | **36,528** |
| Changes in the impairment allowance due to financial assets as at 1 April 2020 | | | | |
| – Transfer from stage 1 to stage 2 | **(72)** | **72** | **–** | **–** |
| – Net remeasurement of ECL arising from financial assets transferred from Stage 1 to Stage 2 | **–** | **989** | **–** | **989** |
| New financial assets originated or purchased | **4** | **9,177** | **2,243** | **11,424** |
| As at 31 March 2021 | **9** | **10,896** | **38,036** | **48,941** |
| ECL rate | **0.01%** | **8.08%** | **84.46%** | **18.94%** |

The following significant changes in the gross carrying amounts of cash client receivables contributed to the increase in the impairment allowance during the year ended 31 March 2021:

- Increase in gross cash client receivables of HK$38,872,000, which included origination of new client receivables and new drawdown from existing clients.

| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| As at 1 April 2019 | 22 | – | 31,904 | 31,926 |
| New financial assets originated or purchased | 55 | 658 | 3,889 | 4,602 |
| As at 31 March 2020 | 77 | 658 | 35,793 | 36,528 |
| ECL rate | 0.07% | 0.93% | 80.88% | 16.64% |

The following significant changes in the gross carrying amounts of cash client receivables contributed to the increase in the impairment allowance during the year ended 31 March 2020:

- Increase in gross cash client receivables of HK$117,782,000, which included origination of new client receivables and new drawdown from existing clients.

Management has assessed the market value of the pledged securities of each individual client at the end of each reporting period. The collateral held can be sold at the Group's discretion to settle any outstanding amount owned by the cash clients.

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Analysis of trade receivables

The carrying amount of trade receivables of the Group was as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Trade receivables | **104,782** | 98,450 |
| Less: Impairment | **(88,278)** | (268) |
| | **16,504** | 98,182 |

(i) The Group grants credit period ranging from 1 day to 60 days (2020: from 1 day to 60 days) to the customers of trading business. The aging analysis of relevant trade receivables at the date of consolidated statement of financial position based on invoice date and before impairment allowance is as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| 1 – 30 days | **1,896** | 11,084 |
| 31 – 60 days | **–** | 40,369 |
| 61 – 90 days | **–** | 31,624 |
| 91 – 180 days | **–** | 15,373 |
| Over 180 days | **102,886** | – |
| | **104,782** | 98,450 |

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Analysis of trade receivables *(Continued)*

(ii) The following is the analysis of the gross carrying amount of the trade receivables as at 31 March 2021 and 2020 by ECL assessment and year end classification:

**As at 31 March 2021**

| | **Lifetime ECL (provision matrix) HK$'000** | **Credit-impaired HK$'000** | **Total HK$'000** |
|---|---|---|---|
| Trade receivables included in account receivables | | | |
| – Not yet past due | **1,896** | **–** | **1,896** |
| – Past due | **15,209** | **87,677** | **102,886** |
| | **17,105** | **87,677** | **104,782** |

**As at 31 March 2020**

| | **Lifetime ECL (provision matrix)** HK$'000 | **Credit-impaired** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| Trade receivables included in account receivables | | | |
| – Not yet past due | 74,474 | – | 74,474 |
| – Past due | 23,976 | – | 23,976 |
| | 98,450 | – | 98,450 |

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Analysis of trade receivables *(Continued)*

(iii) The movements in the impairment allowance of trade receivables were as follows:

| | As at 31 March | | | |
|---|---|---|---|---|
| | 2021 | | | 2020 |
| | **Not credit-impaired HK$'000** | **Credit-impaired HK$'000** | **Total HK$'000** | Not credit-impaired HK$'000 |
| At the beginning of year | **268** | **–** | **268** | 781 |
| Changes in the impairment allowance due to financial assets at the beginning of year | | | | |
| – Transfer to credit-impaired | **(177)** | **177** | **–** | – |
| – Net remeasurement of ECL due to change in credit risk without transfer of stage | **499** | **–** | **499** | (568) |
| New financial assets originated or purchased | **11** | **87,500** | **87,511** | 55 |
| At end of year | **601** | **87,677** | **88,278** | 268 |

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its computer and peripheral products business because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

During the year ended 31 March 2021, for trade receivables with gross carrying amount of HK$87,677,000 in total, majority of which has been past due over 180 days, a full provision had been made after the Group's assessment on the relevant customers' financial background, repayment abilities, expected future cash flows; and taken consideration of their non-response to collection activities. Based on our understanding, the Covid-19 outbreak has generated challenges for some companies in manufacturing and trading business. Consequently, the customers failed to obtain sufficient cashflow from operating business and to repay the amount owing to the Group. The provision for credit-impaired debtors of HK$87,677,000 was mainly related to a customer with gross carrying amount of HK$81,610,000 which full provision had been made. The Group had commenced legal proceedings against this customer; up to date, legal proceedings are still in progress, the first hearing for the case is expected to be conducted in September 2021.

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors of credit-impaired with gross carrying amounts of HK$87,677,000 as at 31 March 2021 were assessed individually.

**As at 31 March 2021**

| | **Not past due** | **Past due** | **Total** |
|---|---|---|---|
| Expected credit loss rate | 0.58% | 3.88% | 3.51% |
| Gross carrying amount (HK$'000) | 1,896 | 15,209 | 17,105 |
| Expected credit losses (HK$'000) | 11 | 590 | 601 |

## 19 ACCOUNT RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Analysis of trade receivables *(Continued)*

(iii) The movements in the impairment allowance of trade receivables were as follows: *(Continued)*

**As at 31 March 2020**

| | Not past due | Past due | Total |
|---|---|---|---|
| Expected credit loss rate | 0.17% | 0.60% | 0.27% |
| Gross carrying amount (HK$'000) | 74,474 | 23,976 | 98,450 |
| Expected credit losses (HK$'000) | 126 | 142 | 268 |

The estimated 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. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

During the year ended 31 March 2021, the Group provided HK$601,000 (2020: HK$268,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$87,677,000 (2020: nil) were made on credit-impaired debtors.

(c) Due from clearing house

The settlement terms of receivables arising from the ordinary course of business of dealing in securities from clearing house are within two days after trade date. Clearing house receivables are neither past due nor impaired and represent unsettled trades transacted on the last two days prior to the end of each financial year and solely related to the Hong Kong Securities Clearing Company Limited ("HKSCC") for which there is limited risk of default.

In presenting the amounts due from HKSCC, the Group has offset the gross amount of the account receivables from and the gross amount of the account payable to HKSCC. Further details are set out in Note 34 to the consolidated financial statements.

No aging analysis is disclosed for account receivables from clearing house as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

As at 31 March 2021 and 2020, the amount due from clearing house was not past due.

## 20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | Notes | As at 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current** | | | |
| Other non-current deposits | | **486** | 486 |
| Other assets | (1) | **205** | 205 |
| | | **691** | 691 |
| **Current** | | | |
| Prepayments | | **854** | 691 |
| Deposits and other receivables | (2) | **13,855** | 10,295 |
| Interest receivables | (3) | **20,042** | 8,595 |
| | | **34,751** | 19,581 |
| **Total deposits, prepayments and other receivables** | | **35,442** | 20,272 |

Deposits, prepayments and other receivables are denominated in the following currencies:

| | As at 31 March 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| HK$ | **23,648** | 10,757 |
| RMB | **–** | 74 |
| US$ | **11,794** | 9,441 |
| | **35,442** | 20,272 |

## 20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Note:

(1) Other assets

The gross carrying amount of other assets of the Group was as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Hong Kong Securities Clearing Company Limited | | |
| – guarantee fund deposit | **50** | 50 |
| – admission fee | **50** | 50 |
| The Stock Exchange of Hong Kong Limited | | |
| – compensation fund deposit | **50** | 50 |
| – fidelity fund deposit | **50** | 50 |
| – stamp duty deposit | **5** | 5 |
| | **205** | 205 |

As at 31 March 2021 and 2020, all other assets were not past due.

(2) Deposits and other receivables

No aging analysis is disclosed for deposits and other receivables as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

As at 31 March 2021 and 2020, all deposits and other receivables were not past due.

(3) Interest receivables

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Interest receivables | **20,686** | 9,173 |
| Less: Impairment | **(644)** | (578) |
| | **20,042** | 8,595 |

## 20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Note: *(Continued)*

(3) Interest receivables *(Continued)*

The Group's interest receivables, which arise from the money lending business, are denominated in Hong Kong dollars and repayable at terms as agreed with the borrowers.

An aging analysis of the interest receivables as at the end of the reporting period, based on the due date and net of impairment allowance, is as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Not past due | **20,042** | 8,595 |

The following is the analysis of the gross carrying amount of the interest receivables as at 31 March 2021 and 2020 by the past due date and year end classification:

As at 31 March 2021

| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Not past due | **20,161** | **–** | **–** | **20,161** |
| Past due over 90 days | **–** | **–** | **525** | **525** |
| | **20,161** | **–** | **525** | **20,686** |

As at 31 March 2020

| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Not past due | 8,648 | – | – | 8,648 |
| Past due over 90 days | – | – | 525 | 525 |
| | 8,648 | – | 525 | 9,173 |

## 20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Note: *(Continued)*

(3) Interest receivables *(Continued)*

The movements in the impairment allowance of interest receivables were as follows:

| | **Stage 1**<br>**HK$'000** | **Stage 2**<br>**HK$'000** | **Stage 3**<br>**HK$'000** | **Total**<br>**HK$'000** |
|---|---|---|---|---|
| As at 1 April 2020 | **53** | **–** | **525** | **578** |
| New financial assets originated or purchased | **66** | **–** | **–** | **66** |
| As at 31 March 2021 | **119** | **–** | **525** | **644** |
| ECL rate | **0.59%** | **N/A** | **100.00%** | **3.11%** |

The increase in the impairment allowance during the year ended 31 March 2021 was because of longer period has been counted, resulting in an increase in relevant gross interest receivables of HK$11,513,000.

| | **Stage 1**<br>HK$'000 | **Stage 2**<br>HK$'000 | **Stage 3**<br>HK$'000 | **Total**<br>HK$'000 |
|---|---|---|---|---|
| As at 1 April 2019 | 4 | – | 525 | 529 |
| New financial assets originated or purchased | 49 | – | – | 49 |
| As at 31 March 2020 | 53 | – | 525 | 578 |
| ECL rate | 0.61% | N/A | 100.00% | 6.30% |

The increase in the impairment allowance during the year ended 31 March 2020 was because of the increase in gross loan receivables of HK$165,230,000, resulting in an increase in relevant gross interest receivables of HK$8,013,000.

## 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Investments designated at fair value through profit or loss: | | |
| Listed equity securities – Hong Kong | **12,263** | 285 |

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

At 31 March 2021, the Group's financial assets at fair value through profit or loss with a net carrying amount of HK$8,050,000 (2020: HK$nil) was pledged to secure the other borrowings (Note 31).

## 22 BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold clients' monies in accordance with the relevant legislation. The Group has classified the clients' monies as bank balances held on behalf of clients in current assets of the consolidated statement of financial position and recognised the corresponding account payables to respective clients in current liabilities of the consolidated statement of financial position. The Group is allowed to retain interest on the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

As at 31 March 2021 and 2020, no impairment was made on bank balances held on behalf of clients.

## 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **Cash on hand** | | |
| HK$ | **65** | 136 |
| US$ | **58** | 58 |
| Israeli Shekel ("ILS") | **4** | 4 |
| | **127** | 198 |
| **Cash at banks** | | |
| HK$ | **16,448** | 56,580 |
| RMB | **631** | 658 |
| New Taiwan Dollar ("TWD") | **27** | 25 |
| US$ | **51,053** | 60,221 |
| | **68,159** | 117,484 |
| | **68,286** | 117,682 |

The effective interest rate on cash at banks was 1.0% (2020: 0.8%) per annum.

The conversion of bank and cash balances denominated in RMB into foreign currencies in the PRC and the remittance of these deposits or cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 March 2021, the Group's cash at banks of approximately HK$576,000 (2020: HK$643,000) was deposited at banks in the PRC.

As at 31 March 2021, the Group pledged approximately HK$41,427,000 (2020: HK$40,915,000), which is denominated in US$, to secure the borrowings (Note 31). The pledged bank deposits will be released upon the settlement of relevant borrowings.

As at 31 March 2021 and 2020, no impairment was made on cash and cash equivalents.

## 24 SHARE CAPITAL

Authorised shares:

As at 31 March 2021, the total authorised number of ordinary shares is 96,000 million shares (2020: 96,000 million shares) with a par value of HK$0.0008333 per share (2020: HK$0.0008333 per share).

Issued shares:

| | Number of shares<br>'000 | Share capital<br>HK$'000 |
|---|---|---|
| As at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 | 4,384,782 | 3,654 |

## 25 SHARE-BASED PAYMENTS

### (a) Share options

On 21 August 2013 (the "Date of Adoption"), the Company conditionally approved a share option scheme (the "Share Option Scheme") under which options will be granted to eligible persons to subscribe for shares of the Company at subscription price which should not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares, provided that for the purpose of calculating the subscription price, where the Company has been listed for less than five trading days, the issue price shall be used as the closing price for any business day falling within the period before listing.

On 21 December 2016, the Group announced the granting of a total of 288,000,000 share options to selected employees and directors under the Share Option Scheme and 203,000,000 share options ("ESO1") have been approved and granted to the employees and some directors on the same date. The remaining 85,000,000 ("ESO2") share options have been subsequently approved and granted to the remaining director in an extraordinary general meeting held on 24 February 2017. The exercise price of the granted options is HK$0.55 per share.

For the ESO1 granted on 21 December 2016, details of the validity period and vesting period of share options are as follows:

(i) One-third of the share options is exercisable from the 21 December 2016 to 20 December 2019 ("Tranche 1.1"). These share options are unconditionally vested as at 21 December 2016 or date of grants, whichever is later;

(ii) One-third of the share options is exercisable from 21 December 2017 to 20 December 2019 ("Tranche 1.2"). These share options are vested as at 21 December 2017; and

(iii) One-third of the share options is exercisable from 21 December 2018 to 20 December 2019 ("Tranche 1.3"). These share options will be vested as at 21 December 2018.

## 25 SHARE-BASED PAYMENTS *(Continued)*

### (a) Share options *(Continued)*

For the ESO2 granted on 24 February 2017, details of the validity period and vesting period of share options are as follows:

(i) One-third of the share options is exercisable from the 24 February 2017 to 20 December 2019 ("Tranche 2.1"). These share options are unconditionally vested as at 21 December 2016 or date of grants, whichever is later;

(ii) One-third of the share options is exercisable from 21 December 2017 to 20 December 2019 ("Tranche 2.2"). These share options are vested as at 21 December 2017; and

(iii) One-third of the share options is exercisable from 21 December 2018 to 20 December 2019 ("Tranche 2.3"). These share options will be vested as at 21 December 2018.

During the year ended 31 March 2020, no share options were exercised. The numbers of share options forfeited were 127,901,333. All share options forfeited are in respect of Tranche 1.1, Tranche 1.2, Tranche 1.3, Tranche 2.1, Tranche 2.2 and Tranche 2.3.

Movements in the number of outstanding share options and their related average exercise prices are as follows:

| | Average exercise price in HK$ per share option | Number of share options (thousands) |
|---|---|---|
| 1 April 2019 | 0.55 | 127,901 |
| Lapsed/forfeited during the year ended 31 March 2020 | 0.55 | (127,901) |
| 31 March 2020 and 2021 | | – |

As at 31 March 2021, no share options were vested (2020: nil).

The fair value of each option granted during year ended 31 March 2017 was determined using Black Scholes model at HK$0.091, HK$0.109, HK$0.126, HK$0.146, HK$0.163 and HK$0.182 for Tranche 1.1, Tranche 1.2, Tranche 1.3, Tranche 2.1, Tranche 2.2 and Tranche 2.3, respectively.

## 25 SHARE-BASED PAYMENTS *(Continued)*

### (a) Share options *(Continued)*

For those share options granted to selected employees and directors on 21 December 2016, the significant inputs into the model were closing share price of HK$0.49 at the grant date, exercise price shown above, volatility of 46.25%, vesting periods of one, two and three years respectively for each tranche of the share options shown above, dividend yield of 1% per annum and risk-free interest rates of 0.97%, 1.14% and 1.30% per annum for Tranche 1.1, Tranche 1.2 and Tranche 1.3 respectively. The volatility measured at the grant date is referenced to the historical volatility of the Company.

For those share options granted to the director on 24 February 2017, the significant inputs into the model were closing share price of HK$0.59 at the grant date, exercise price shown above, volatility of 45.39%, vesting periods of one, two and three years respectively for each tranche of the share options shown above, dividend yield of 1% per annum and risk-free interest rates of 0.81%, 0.91% and 1.01% for Tranche 2.1, Tranche 2.2 and Tranche 2.3 respectively. The volatility measured at the grant date is referenced to the historical volatility of the Company.

### (b) Share award scheme

On 14 March 2019, the Company adopted the share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including directors), consultants or advisers of or to the Group and non-executive directors of the Group (the "Selected Person (s)") pursuant to the terms of the Share Award Scheme and trust deed of the Share Award Scheme (the "Trust Deed"). The share award scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 13 March 2029. The Share Award Scheme is subject to the administration of the Board of Directors and the trustee of the Share Award Scheme (the "Trustee") in accordance with the Share Award Scheme and the Trust Deed.

The Board of Directors shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board of Directors under the Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a Selected Person under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Board of Directors may contribute funds to the trust constituted by the Trust Deed (the "Trust") for the purchase or subscription of shares of the Company and other purposes set out in the Share Award Scheme and the Trust Deed. The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed. The Board of Directors may instruct the Trustee to purchase shares of the Company on The Stock Exchange of Hong Kong Limited and to hold them in trust for the benefit of the persons who are eligible for the Awarded Shares on and subject to the terms and conditions of the Share Award Scheme and the Trust Deed (the "Eligible Persons"). The Trustee shall not exercise the voting rights in respect of any shares, including but not limited to the Awarded Shares, any bonus shares and scrip shares derived therefrom, held by it under the Trust.

## 25 SHARE-BASED PAYMENTS *(Continued)*

### (b) Share award scheme *(Continued)*

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by the Trustee on behalf of a Selected Person pursuant to the provision of the Share Award Scheme shall vest in such Selected Person in accordance with the vesting schedule (if any) and the Trustee shall cause the Awarded Shares to be transferred to such Selected Person on the vesting date at no consideration.

During the year ended 31 March 2021, the trustee acquired nil (2020: 41,484,000) ordinary shares of the Company for the Share Award Scheme through purchases in the open market, at a total cost, including related transaction costs of approximately HK$nil (2020: HK$21,135,000).

During the year ended 31 March 2021, no Awarded Shares were granted to any Eligible Persons of the Group (2020: same).

## 26 OTHER RESERVES

### (a) Merger reserve

The Group's merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies comprising the Group, after elimination of intra-group investments.

### (b) Capital reserve

The Group's capital reserve represents deemed contribution by the Controlling Shareholders as a shareholder acquired the remaining non-controlling interests of a subsidiary and contributed to the Group at no cost prior to 1 April 2011.

### (c) Statutory reserve

The Company's subsidiary in the PRC is required to transfer 10% of its profit after income tax calculated in accordance with the PRC accounting standards and regulations to the statutory reserve until the balance reaches 50% of its respective registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of share capital of the PRC subsidiary.

## 27 DIVIDENDS

No final dividend for the years ended 31 March 2021 and 2020 was proposed.

## 28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off income tax recoverable against current income tax liabilities and when the deferred taxes relate to the same taxation authority. The deferred tax assets and liabilities are to be utilised and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

Movements of deferred tax assets:

| | Decelerated tax depreciation HK$'000 | Share-based payments HK$'000 | Impairment of financial assets HK$'000 | Unrealised losses HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2019 | – | 2,468 | 5,135 | 192 | 645 | 8,440 |
| (Charged)/credited to consolidated income statement | – | (2,468) | 846 | 83 | 617 | (922) |
| At 31 March 2020 and 1 April 2020 | – | – | 5,981 | 275 | 1,262 | 7,518 |
| Credited/(charged) to consolidated income statement | 4 | – | 2,014 | (39) | 13,965 | 15,944 |
| At 31 March 2021 | 4 | – | 7,995 | 236 | 15,227 | 23,462 |

Offset between deferred tax assets and liabilities:

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Balance as at 31 March | **23,462** | 7,518 |
| Amount offset between deferred tax assets and liabilities in the consolidated statement of financial position | **(575)** | (140) |
| | **22,887** | 7,378 |

## 28 DEFERRED INCOME TAX *(Continued)*

Movements of deferred tax liabilities:

| | **Accelerated tax depreciation** HK$'000 | **Fair value adjustments arising from subsidiaries** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| **At 1 April 2019** | 148 | 310 | 458 |
| Charged/(credited) to consolidated income statement | 678 | (156) | 522 |
| **At 31 March 2020 and 1 April 2020** | 826 | 154 | 980 |
| Credited to consolidated income statement | (103) | (139) | (242) |
| **At 31 March 2021** | 723 | 15 | 738 |

Offset between deferred tax assets and liabilities:

| | **Year ended 31 March** | |
|---|---|---|
| | **2021** **HK$'000** | 2020 HK$'000 |
| Balance as at 31 March | **738** | 980 |
| Amount offset between deferred tax assets and liabilities in the consolidated statement of financial position | **(575)** | (140) |
| | **163** | 840 |

As at 31 March 2021, the Group has unrecognised tax losses of HK$18,736,000 (2020: HK$8,013,000) in Hong Kong, which have no expiry dates, and HK$14,117,000 (2020: HK$9,531,000) in the PRC which will expire during financial year 2021 to year 2025. No deferred tax assets have been recognised for these tax losses as the directors considered it is not probable that taxable profits will be available against which the tax losses can be utilised.

## 28 DEFERRED INCOME TAX *(Continued)*

Movements of deferred tax liabilities:

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Deferred tax assets as presented in the consolidated statement of financial position | **22,887** | 7,378 |
| Deferred tax liabilities as presented in the consolidated statement of financial position | **(163)** | (840) |
| Deferred tax assets, net | **22,724** | 6,538 |

The movement on the deferred income tax is as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **6,538** | 7,982 |
| Credited/(charged) to consolidated income statement (Note 11) | **16,186** | (1,444) |
| At end of the year | **22,724** | 6,538 |

## 29 ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Trade payables | **24,329** | 69,932 |
| Cash client payables (Note a) | **15,706** | 13,591 |
| Due to clearing house (Note b) | **–** | 93 |
| Total account payables | **40,035** | 83,616 |
| Other payables and accrued expenses | | |
| Accrued expenses | **4,193** | 1,651 |
| Other payables | **622** | 74 |
| Total other payables and accrued expenses | **4,815** | 1,725 |
| Total account payables, other payables and accrued expenses | **44,850** | 85,341 |

Notes:

(a) The settlement terms of payables arising from securities brokerage business are normally two to three days after trade date or specific terms agreed. The majority of the cash client payables are unsecured, non-interest-bearing and repayable on demand, except where certain balances represent trades pending settlement or cash received from clients for their trading activities under the normal course of business.

(b) In presenting the amounts due to HKSCC, the Group has offset the gross amount of the account receivables from and the gross amount of the account payables to HKSCC. Further details are set out in Note 34 to the consolidated financial statements.

(c) As at 31 March 2021 and 2020, all trade payables were aged within two months, based on invoice date. No aging analysis is disclosed for cash client payables and due to clearing house as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the natural of the business.

Account payables, other payables and accrued expenses of the Group are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| HK$ | **18,398** | 15,362 |
| RMB | **811** | 47 |
| US$ | **25,641** | 69,932 |
| | **44,850** | 85,341 |

Other than those disclosed in Note (a) above, account payables and other payables are unsecured, non-interest-bearing and repayable on demand.

## 30 CONTRACT LIABILITIES

Details of contract liabilities as at 31 March 2021 and 2020 are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short term advances received from customers | | |
| Sales of goods | **2,917** | 1,197 |

Contract liabilities of HK$2,917,000 (2020: HK$1,197,000) arising from sales of goods as of 31 March 2021 (2020: 31 March 2020) represented prepayment received in computer and peripheral products business before the goods are transferred to the customers.

| | **As at 31 March** | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Balance at 1 April | **1,197** | 358 |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year | **(129)** | (358) |
| Increase in contract liabilities as a result of billing in advance of project contract work and advance from customers | **1,849** | 1,197 |
| Balance at 31 March | **2,917** | 1,197 |

## 31 BORROWINGS

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Bank borrowings | **336,475** | 342,754 |
| Other borrowings | **10,284** | – |
| | **346,759** | 342,754 |
| Analysed as: | | |
| – Secured | **331,803** | 313,109 |
| – Unsecured | **14,956** | 29,645 |
| | **346,759** | 342,754 |

As at 31 March 2021, the Group's other borrowings of HK$10,284,000 and bank borrowings of HK$321,519,000 are secured by financial assets at fair value through profit or loss with carrying value of HK$8,050,000 (Note 21), the Group's owned properties situated in Hong Kong of HK$254,328,000 (Note 13) and pledged bank deposits of HK$41,427,000 (Note 23).

As at 31 March 2020, the Group's bank borrowings of HK$232,953,000 are secured by mortgage over the Group's owned properties situated in Hong Kong of HK$263,772,000 (Note 13). In addition, the Group's bank borrowings of HK$80,156,000 are secured by pledged bank deposits of HK$40,915,000 (Note 23).

The Group's secured bank borrowings, which contain a clause giving the lender an unconditional right to demand repayment at any time, have been classified as current liabilities irrespective of the probability that the lenders will invoke the clause without cause.

## 31 BORROWINGS *(Continued)*

The maturities of the bank borrowings that contain repayable on demand clause and other borrowings in accordance with the scheduled repayment dates are as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| The carrying amounts of other borrowings are repayable: | | |
| – Within one year | **10,284** | – |
| | **10,284** | – |
| The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable: | | |
| – Within one year | **228,997** | 233,708 |
| – Between one and two years | **4,478** | 5,061 |
| – Between two and five years | **103,000** | 16,128 |
| – Over five years | **–** | 87,857 |
| | **336,475** | 342,754 |
| | **346,759** | 342,754 |

The exposure of the Group's borrowings are as follows:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Variable-rate borrowings | **336,475** | 342,754 |
| Fixed-rate borrowings | **10,284** | – |
| | **346,759** | 342,754 |

The Group's variable-rate bank borrowings carry interest at a floating interest rate plus credit spread per annum (2020: same).

Other borrowings of HK$10,284,000 (2020: nil) is secured, interest bearing at a fixed rate per annum and repayable with one year.

## 31 BORROWINGS *(Continued)*

Borrowings of the Group are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| HK$ | **200,104** | 276,689 |
| US$ | **146,655** | 66,065 |
| | **346,759** | 342,754 |

## 32 SENIOR MANAGEMENT EMOLUMENTS

### (a) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Directors (Note 40) | **2,418** | 1,818 |
| Employees | **5,651** | 4,235 |
| | **8,069** | 6,053 |

The five individuals whose emoluments were the highest in the Group include one (2020: one) director whose emolument was reflected in Note 40.

The emoluments payable to four (2020: four) non-director individuals during the year are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Short term employee benefits | **5,585** | 4,182 |
| Discretionary bonus | **–** | – |
| Post-employment benefits | **66** | 53 |
| | **5,651** | 4,235 |

## 32 SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

### (a) Five highest paid individuals *(Continued)*

Remuneration of the four (2020: four) highest paid non-director individuals during the year fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2021** | 2020 |
| **Emolument Bands** | | |
| HK$500,001 to HK$1,000,000 | **–** | 3 |
| HK$1,000,001 to HK$1,500,000 | **3** | – |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |

### (b) Senior management's emoluments

The emoluments of the one (2020: three) senior management during the year fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2021** | 2020 |
| **Emolument Bands** | | |
| Nil to HK$500,000 | **–** | 1 |
| HK$500,001 to HK$1,000,000 | **–** | 1 |
| HK$1,000,001 to HK$1,500,000 | **–** | – |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |

## 33 FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**As at 31 March 2021**

*Financial assets*

| | At amortised cost | At fair value through profit or loss (held for trading) | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Loan receivables | 180,585 | – | 180,585 |
| Account receivables | 226,279 | – | 226,279 |
| Financial assets included in deposits, prepayments and other receivables | 34,588 | – | 34,588 |
| Financial assets at fair value through profit or loss | – | 12,263 | 12,263 |
| Bank balances held on behalf of clients | 15,089 | – | 15,089 |
| Pledged bank deposits | 41,427 | – | 41,427 |
| Cash and cash equivalents | 68,286 | – | 68,286 |
| | 566,254 | 12,263 | 578,517 |

*Financial liabilities*

| | At amortised cost | Total |
|---|---|---|
| | HK$'000 | HK$'000 |
| Account payables | 40,035 | 40,035 |
| Financial liabilities included in other payables and accrued expenses | 4,815 | 4,815 |
| Borrowings | 346,759 | 346,759 |
| | 391,609 | 391,609 |

## 33 FINANCIAL INSTRUMENTS BY CATEGORIES *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

**As at 31 March 2020**

*Financial assets*

| | At amortised cost | At fair value through profit or loss (held for trading) | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Loan receivables | 179,447 | – | 179,447 |
| Account receivables | 282,976 | – | 282,976 |
| Financial assets included in deposits, prepayments and other receivables | 19,581 | – | 19,581 |
| Financial assets at fair value through profit or loss | – | 285 | 285 |
| Bank balances held on behalf of clients | 13,741 | – | 13,741 |
| Pledged bank deposits | 40,915 | – | 40,915 |
| Cash and cash equivalents | 117,682 | – | 117,682 |
| | 654,342 | 285 | 654,627 |

*Financial liabilities*

| | At amortised cost | Total |
|---|---|---|
| | HK$'000 | HK$'000 |
| Account payables | 83,616 | 83,616 |
| Financial liabilities included in other payables and accrued expenses | 1,725 | 1,725 |
| Borrowings | 342,754 | 342,754 |
| | 428,095 | 428,095 |

## 34 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set-off the Continuous Net Settlement ("CNS") money obligations receivable and payable with HKSCC; and the Group intends to settle on a net basis as account receivables from or account payables to HKSCC. For the net amount of CNS money obligations receivable or payable with HKSCC and Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Group does not intend to settle the balances on a net basis.

| | | | Related amounts not offset in the statement of financial position | | |
|---|---|---|---|---|---|
| | Gross amount of recognised financial assets/ (liabilities) | Gross amount of recognised financial (assets)/ liabilities offset in the statement of financial position | Net amount of financial assets/ (liabilities) presented in the statement of financial position | Cash collateral received | Net amount |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **As at 31 March 2021** | | | | | |
| Account receivable from clearing house | 633 | (292) | 341 | – | 341 |
| Account payable to clearing house | (292) | 292 | – | – | – |

## 34 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

| | | | Related amounts not offset in the statement of financial position | | |
|---|---|---|---|---|---|
| | Gross amount of recognised financial assets/ (liabilities) HK$'000 | Gross amount of recognised financial (assets)/ liabilities offset in the statement of financial position HK$'000 | Net amount of financial assets/ (liabilities) presented in the statement of financial position HK$'000 | Cash collateral received HK$'000 | Net amount HK$'000 |
| **As at 31 March 2020** | | | | | |
| Account receivable from clearing house | 1,895 | (76) | 1,819 | – | 1,819 |
| Account payable to clearing house | (169) | 76 | (93) | – | (93) |

## 35 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of (loss)/profit before income tax to cash used in operations:

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| (Loss)/profit before income tax | **(105,910)** | 15,339 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (Note 10(b)) | **11,646** | 11,755 |
| Amortisation of intangible assets (Note 10(b)) | **1,128** | 1,241 |
| Loss on disposal of property, plant and equipment (Note 8) | **–** | 108 |
| Gain on disposal of interests of an associate (Note 8) | **–** | (2) |
| Exchange losses/(gains) (Note 8) | **983** | (933) |
| Finance income (Note 8) | **(658)** | (9,710) |
| Finance costs (Note 9) | **7,913** | 9,529 |
| Share of results of interests in associates (Note 16) | **1,946** | 2,052 |
| Impairment loss on interest in an associate (Note 16) | **6,258** | – |
| Unrealised loss on change in fair value of equity investments at fair value through profit or loss (Note 8) | **2,703** | 501 |
| Impairment of inventories (Note 17) | **1,689** | 122 |
| Realised gain on disposal of financial assets at fair value through profit or loss (Note 8) | **(220)** | – |
| Write-back of other payables (Note 8) | **–** | (236) |
| Expected credit loss on financial assets, net: | | |
| – Loan receivables (Note 7) | **5,862** | 987 |
| – Cash client receivables (Note 7) | **12,413** | 4,602 |
| – Trade receivables (Note 7) | **88,010** | (513) |
| – Interest receivables (Note 7) | **66** | 49 |
| Change in working capital | | |
| – Inventories | **45,505** | (61,006) |
| – Loan receivables | **(7,000)** | (165,230) |
| – Account receivables | **(43,726)** | (94,061) |
| – Bank balances held on behalf of clients | **(1,348)** | 4,096 |
| – Deposits, prepayments and other receivables | **(15,236)** | (13,447) |
| – Account payables | **(43,581)** | 65,782 |
| – Other payables and accrued expenses | **3,090** | (491) |
| – Contract liabilities | **1,720** | 839 |
| Cash used in operations | **(26,747)** | (228,627) |

## 35 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

**(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:**

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Net book amount of property, plant and equipment disposed (Note 13) | **–** | 113 |
| Loss on disposal of property, plant and equipment (Note 8) | **–** | (108) |
| Proceeds from disposal of property, plant and equipment | **–** | 5 |

**(c) Reconciliation of liabilities arising from financing activities is as follows:**

| | Borrowings | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| At 1 April | **342,754** | 156,513 |
| Changes from financing cash flows | | |
| Drawdown of borrowings | **1,632,991** | 646,920 |
| Repayments of borrowings | **(1,629,033)** | (461,349) |
| Interest paid | **(7,866)** | (8,859) |
| Other changes | | |
| Interest expenses (Note 9) | **7,913** | 9,529 |
| At 31 March | **346,759** | 342,754 |

## 36 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Contracted, but not provided for: | | |
| Leasehold improvements | **386** | 1,606 |
| Office equipment | **–** | 32 |
| | **386** | 1,638 |

## 37 DISPOSAL OF INTERESTS IN A SUBSIDIARY WITHOUT LOSING CONTROL

| | **2020** |
|---|---|
| | **HK$'000** |
| Carrying amount of equity interest obtained by non-controlling interests | **(3,822)** |
| Capital contributed by non-controlling interests | **3,822** |
| Loss on disposal within equity | **–** |

During the year ended 31 March 2020, Goldenmars Technology (Hong Kong) Limited, a wholly owned subsidiary of the Company, transferred the equity interest in a wholly-owned subsidiary, Goldenmars Components Company Limited ("GMC") to independent third party. After that, the Group's effective equity interest in GMC were diluted from 100% to 51%. As a result, the Group recognised an increase in non-controlling interests of approximately HK$3,822,000.

## 38 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with other related parties

During the years ended 31 March 2021 and 2020, no material transactions were undertaken by the Group with related parties.

### (b) Outstanding balances with related parties

As at 31 March 2021 and 2020, there were no material outstanding balances with related parties.

### (c) Compensation of key management personnel of the Group

| | Year ended 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Short term employee benefits | **5,180** | 5,637 |
| Discretionary bonus | **300** | – |
| Post-employment benefits | **66** | 94 |
| | **5,546** | 5,731 |

Further details of directors' and the chief executive's emoluments are included in Note 40.

## 39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | As at 31 March | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | **496,273** | 498,281 |
| **Current assets** | | |
| Amounts due from subsidiaries | **104,080** | 88,100 |
| Deposits, prepayments and other receivables | **337** | 383 |
| Cash and cash equivalents | **408** | 945 |
| | **104,825** | 89,428 |
| **Total assets** | **601,098** | 587,709 |
| **EQUITY** | | |
| **Capital and reserves attributable to equity holders of the Company** | | |
| Share capital | **3,654** | 3,654 |
| Other reserves (Note a) | **560,267** | 560,153 |
| **Total equity** | **563,921** | 563,807 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Other payables and accrued expenses | **1,468** | 163 |
| Amount due to subsidiaries | **35,709** | 23,739 |
| | **37,177** | 23,902 |
| **Total liabilities** | **37,177** | 23,902 |
| **Total equity and liabilities** | **601,098** | 587,709 |
| **Net current assets** | **67,648** | 65,526 |
| **Total assets less current liabilities** | **563,921** | 563,807 |

The statement of financial position of the Company was approved by the Board of Directors on 22 June 2021 and was signed on its behalf by:

| | |
|---|---|
| **George Lu** | **Shen Wei** |
| Director | Director |

## 39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

### (a) Reserve movement of the Company:

| | Share premium HK$'000 | Contributed surplus HK$'000 Note | Shares held for share award scheme HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **For the year ended 31 March 2021** | | | | | |
| Balance at 1 April 2020 | 494,815 | 95,114 | (21,630) | (8,146) | 560,153 |
| Profit for the year | – | – | – | 114 | 114 |
| Total comprehensive income | – | – | – | 114 | 114 |
| Balance at 31 March 2021 | 494,815 | 95,114 | (21,630) | (8,032) | 560,267 |

## 39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

### (a) Reserve movement of the Company: *(Continued)*

| | Share premium HK$'000 | Contributed surplus HK$'000 Note | Employee share-based compensation reserve HK$'000 | Shares held for share award scheme HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **For the year ended 31 March 2020** | | | | | | |
| Balance at 1 April 2019 | 494,815 | 95,114 | 14,955 | (495) | (8,089) | 596,300 |
| Loss for the year | – | – | – | – | (57) | (57) |
| Total comprehensive expense | – | – | – | – | (57) | (57) |
| **Transaction with owners** | | | | | | |
| Employee share option scheme | | | | | | |
| – forfeiture of employee share options (Note 25(a)) | – | – | (14,955) | – | – | (14,955) |
| – purchase of shares under share award schemes (Note 25(b)) | – | – | – | (21,135) | – | (21,135) |
| Balance at 31 March 2020 | 494,815 | 95,114 | – | (21,630) | (8,146) | 560,153 |

Note: Contributed surplus

Contributed surplus represents the difference between the excess of the nominal value of the Company shares issued and the aggregate net asset value of the subsidiaries acquired pursuant to the group reorganisation.

## 40 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of the directors for the year ended 31 March 2021 is set out below:

| | Fee | Salary | Discretionary bonus | Housing allowance | Estimated monetary value of other benefit | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2021** | | | | | | | | | |
| **Name of directors** | | | | | | | | | |
| Executive directors | | | | | | | | | |
| Mr. George Lu | 100 | 2,300 | – | – | – | 18 | – | – | 2,418 |
| Ms. Shen Wei (Note (iii)) | – | – | 300 | – | – | 5 | – | – | 305 |
| | 100 | 2,300 | 300 | – | – | 23 | – | – | 2,723 |
| Non-executive director | | | | | | | | | |
| Mr. Pang Chung Fai Benny | 346 | – | – | – | – | 17 | – | – | 363 |
| | 346 | – | – | – | – | 17 | – | – | 363 |

## 40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

The remuneration of the directors for the year ended 31 March 2021 is set out below: *(Continued)*

| | Fee | Salary | Discretionary bonus | Housing allowance | Estimated monetary value of other benefit | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2021** | | | | | | | | | |
| **Name of directors** | | | | | | | | | |
| Independent non-executive directors | | | | | | | | | |
| Mr. Loo Hong Shing, Vincent | 161 | – | – | – | – | 8 | – | – | 169 |
| Mr. Zhu Shouzhong | 161 | – | – | – | – | – | – | – | 161 |
| Mr. Li Huaqiang | 161 | – | – | – | – | – | – | – | 161 |
| | 483 | – | – | – | – | 8 | – | – | 491 |

## 40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

The remuneration of the directors for the year ended 31 March 2020 is set out below:

| | Fee | Salary | Discretionary bonus | Housing allowance | Estimated monetary value of other benefit | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2020** | | | | | | | | | |
| **Name of directors** | | | | | | | | | |
| Executive directors | | | | | | | | | |
| Mr. George Lu | 100 | 1,700 | – | – | – | 18 | – | – | 1,818 |
| Ms. Lau Wing Sze (Note (i)) | 31 | – | – | – | – | 1 | – | – | 32 |
| Mr. Lam Allan Loc (Note (ii)) | 100 | 143 | – | 232 | – | 7 | – | – | 482 |
| | 231 | 1,843 | – | 232 | – | 26 | – | – | 2,332 |
| Non-executive directors | | | | | | | | | |
| Mr. Pang Chung Fai Benny | 346 | – | – | – | – | 17 | – | – | 363 |
| Mr. Lam Allan Loc (Note (ii)) | 18 | – | – | 18 | – | 1 | – | – | 37 |
| | 364 | – | – | 18 | – | 18 | – | – | 400 |

## 40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

The remuneration of the directors for the year ended 31 March 2020 is set out below: *(Continued)*

| | Fee | Salary | Discretionary bonus | Housing allowance | Estimated monetary value of other benefit | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2020** | | | | | | | | | |
| **Name of directors** | | | | | | | | | |
| Independent non-executive directors | | | | | | | | | |
| Mr. Loo Hong Shing, Vincent | 161 | – | – | – | – | 8 | – | – | 169 |
| Mr. Zhu Shouzhong | 161 | – | – | – | – | – | – | – | 161 |
| Mr. Li Huaqiang | 161 | – | – | – | – | – | – | – | 161 |
| | 483 | – | – | – | – | 8 | – | – | 491 |

## 40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

Note:

(i) Lau Wing Sze has resigned as an executive director with effect from 12 April 2019.

(ii) With effect from 1 November 2018, Lam Allan Loc has been re-designated from an independent non-executive director to a non-executive director and has been appointed as vice chairman of the Company. With effect from 12 April 2019, he has been re-designated from a non-executive director to an executive director, and then he has resigned as an executive director and vice chairman of the Company with effect from 1 September 2019.

(iii) Shen Wei has been appointed as an executive director of the Company with effect from 15 January 2021.

During the year ended 31 March 2021 and 2020, no director waived any emoluments.

### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 March 2021 and 2020.

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 March 2021 and 2020.

### (d) Consideration provided to third parties for making available directors' services

During the years ended 31 March 2021 and 2020, no consideration was paid by the Company to third parties for making available directors' services.

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 March 2021 and 2020, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 March 2021 and 2020 or at any time during the years ended 31 March 2021 and 2020.