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Asia-Pac Financial Investment Company Limited

亞太金融投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8193)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Asia-Pac Financial Investment Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2020. This announcement, containing the full text of the 2020 annual report of the Company (“**Annual Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to information to accompany the preliminary announcement of annual results. The printed version of the Annual Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner required by the GEM Listing Rules.

By order of the Board

Asia-Pac Financial Investment Company Limited

Ip Kwok Kwong

Executive Director and Managing Director

Hong Kong, 23 June 2020

As at the date of this announcement, the Board comprises Mr. Ip Kwok Kwong (Managing Director) and Mr. Wu Di as executive Directors; and Mr. Cheung Ka Chun, Mr. So Kwok Yun and Mr. Tang Wai Kee as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of GEM (www.hkgem.com) for at least 7 days from the date of publication and on the website of the Company at www.gca.com.hk.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Asia-Pac Financial Investment Company Limited (the "Company" and the "Directors", respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report, in both English and Chinese versions, is available on the Company's website at www.gca.com.hk.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ip Kwok Kwong (*Managing Director*)

Mr. Wu Di

Independent Non-executive Directors

Mr. Cheung Ka Chun

Mr. So Kwok Yun

Mr. Tang Wai Kee

BOARD COMMITTEES

Audit Committee

Mr. Cheung Ka Chun (*Chairman*)

Mr. So Kwok Yun

Mr. Tang Wai Kee

Remuneration Committee

Mr. So Kwok Yun (*Chairman*)

Mr. Ip Kwok Kwong

Mr. Cheung Ka Chun

Mr. Tang Wai Kee

Mr. Wu Di

Nomination Committee

Mr. Tang Wai Kee (*Chairman*)

Mr. Ip Kwok Kwong

Mr. Cheung Ka Chun

Mr. So Kwok Yun

Mr. Wu Di

COMPANY SECRETARY

Ms. Cheng Lucy

COMPLIANCE OFFICER

Mr. Ip Kwok Kwong

AUTHORISED REPRESENTATIVES

Ms. Cheng Lucy

Mr. Ip Kwok Kwong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

OCBC Wing Hang Bank Limited

INDEPENDENT AUDITOR

McMillan Woods (Hong Kong) CPA Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2709, 27th Floor

Shui On Centre

6–8 Harbour Road

Wanchai

Hong Kong

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE WEBSITE

www.gca.com.hk

STOCK CODE

8193

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020 (the "Year").

RESULTS

During the Year, the Group recorded a revenue of approximately HK\$46.0 million, representing a decrease of approximately 12.7% as compared to that of last financial year. Loss attributable to owners of the Company was approximately HK\$126.5 million, representing an increase of approximately 97.1% as compared to that of last financial year. The increase in loss attributable to owners of the Company was mainly attributable to the increase in the impairment losses on receivables, which collectively amounted to approximately HK\$32.2 million (2019: approximately HK\$3.2 million) and total net loss on fair value loss on financial assets at fair value through profit or loss ("FVTPL") and gain/loss on disposal of financial assets at FVTPL, which collectively amounted to approximately HK\$25.5 million (2019: approximately HK\$8.8 million).

BUSINESS OF THE GROUP

The Group's business can be broadly categorised into four main sectors: (i) asset advisory services and asset appraisal, (ii) corporate services and consultancy, (iii) media advertising, and (iv) financial services. Detailed discussion of the business and performance of each sector is set out in the section headed "Management Discussion and Analysis" of this annual report.

OUTLOOK

Looking ahead, the revenue from each of the sectors of asset advisory and corporate consultancy services remains promising with a steady demand for professional commercial services in the People's Republic of China (the "PRC"), Taiwan, Hong Kong and Macau (together, the "Greater China"). As companies in the Greater China, especially in the PRC, continue to expand in corporate size, operational complexity and geographical diversification as well as undergo restructuring, listing and mergers and acquisitions, the demand for a leading professional advisor on asset value, procedures and regulations, as well as investment matching is expected to remain high. In view of the Group's existing competitive advantages and market position in its core business segments, the Group is confident that its experienced professional teams and provision of convenient one-stop professional services will keep it well-positioned to capture the surging business opportunities.

Due to the keen competition in the media advertising industry in the PRC and reduced demand from freezing of marketing spend in view of outbreak of COVID-19, the Group will dedicate even more efforts to broaden its customer base, improve cost control and actively adjust the business strategy in respond to COVID-19 and latest market changes.

The financial services segment is expected to be challenging in coming year. The Group will continue its effort to enhance our competitiveness within the ever changing industry and economy. The securities broking and trading of securities business is targeted to be disposed in coming year in order to streamline the Group's structure and to further enhance the financial position of the Group and better utilise the Group's financial resources. The Group will closely monitor its cash position, and will continue to seek investment and business opportunities, with a view to achieving a sustainable growth, increasing profitability and ultimately maximising the return to the shareholders of the Company (the "Shareholders").

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the Shareholders, Directors and business partners for their continued support and trust. I would also like to thank all of our management and staff for their diligence and contributions to the Group.

Ip Kwok Kwong

Executive Director and Managing Director

Hong Kong, 23 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Results of the Group

The Group's revenue for the Year was approximately HK\$46.0 million (2019: approximately HK\$52.6 million), representing a decrease of approximately 12.7% from that of 2019. The decrease in the Group's revenue during the Year was mainly attributable to the decrease in revenue arising from the asset advisory and asset appraisal services due to the trade dispute in the industry and impact of the COVID-19 epidemic.

The Group's cost of sales mainly consists of direct labour cost, material cost and sub-contracting charges. During the Year, the Group's cost of sales and services rendered was approximately HK\$18.0 million (2019: approximately HK\$18.6 million), representing a decrease of approximately 3.1% from that of 2019.

The Group's other income mainly consists of sub-leasing income and sundry income. During the Year, the other income was approximately HK\$2.7 million (2019: approximately HK\$7.6 million), representing a decrease of approximately 64.0% from that of 2019. The decrease was mainly attributable to turnaround from gain last year to loss on disposal of financial assets at FVTPL for the Year and decrease in sub-leasing income.

The Group's administrative expenses for the Year were approximately HK\$46.8 million (2019: approximately HK\$52.0 million), representing a decrease of approximately 9.9% from those of 2019. The decrease during the Year was in line with the Group's decrease in revenue during the Year.

The Group's total net loss on fair value change on financial assets at FVTPL and gain/loss on disposal of financial assets at FVTPL for the Year was approximately HK\$25.5 million (2019: approximately HK\$8.8 million). Details are set out in the section headed "Significant Investments Held" in this annual report.

The Group's finance costs for the Year were approximately HK\$4.0 million (2019: approximately HK\$2.3 million), representing an increase of approximately 74.1% from those of 2019. The increase was attributable to the increase in interest on bank and other borrowings and increase in interest expenses on lease liabilities as the impact of the adoption of HKFRS 16 during the Year.

The loss attributable to owners of the Company for the Year was approximately HK\$126.5 million (2019: approximately HK\$64.2 million) representing an increase of approximately 97.1%. The substantial increase in the loss was mainly attributable to the impairment loss on receivables which collectively amounted to approximately HK\$32.2 million and total net loss on fair value loss on financial assets FVTPL and loss on disposal of financial assets at FVTPL, which collectively amounted to approximately HK\$25.5 million during the Year.

Results of the segments

Asset Advisory and Asset Appraisal Services

Asset advisory and asset appraisal services are the core business of the Group, which typically involves provision of independent valuation services to a number of listed groups to meet market, regulatory and fiduciary requirements, sourcing and identifying potential investment opportunities or investors, undertaking due diligence and evaluation on the underlying assets and provision of procedural and strategic business advices. Such services income is primarily success-based or project-based nature. Revenue from asset advisory and asset appraisal services during the Year decreased to approximately HK\$27.9 million from approximately HK\$33.8 million for the year ended 31 March 2019, representing a decrease of approximately 17.5%. The decrease was primarily due to the trade dispute in the industry and impact of the COVID-19 epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Services and Consultancy Services

The corporate services and consultancy services segment mainly focuses on provision of advice to corporations in areas such as corporate governance, internal control, enterprise risk management and other operational aspects as well as provision of back office administration. Owing to its non-recurring nature, revenue generated from the provision of corporate services and consultancy during the Year was approximately HK\$1.6 million (2019: HK\$1.3 million) representing an increase of approximately 24.9%. The increase was primary due to increase in consultancy services during the Year.

The revenue from asset advisory and asset appraisal services, and corporate services and consultancy services are primarily generated from mandates on a project-by-project basis, each of which may vary in scope, size and complexity of services to be rendered. In addition, the terms and conditions of each mandate, including its payment schedule, are negotiated and determined on a project-by-project basis. For asset appraisal, fees are payable by stage payment based on milestone agreed with clients. If the underlying project does not reach any particular milestone, the Group will not be entitled to the corresponding service fee. Fees charged by the Group in respect of its asset advisory services and corporate consultancy business to a large extent are success-based or performance-based. If a project cannot be carried through to completion, or there is no successful underlying transaction, or performance target cannot be attained, or where the project is put on hold by client, the Group will not be entitled to such portion of the fees even if a substantial amount of time and effort has been expended. As a result, the income and profitability of the Group may be unpredictable. Through the Group's continuous expansion of its operation, the client base and income source would be diversified and increase to minimise the risk of such uncertainties.

Media Advertising Services

Advertising income is generated mainly through its in-elevator poster frames network and liquid-crystal-display network inside elevators or lift lobbies of the middle to high-end residential communities. This business segment brought approximately HK\$3.7 million (2019: approximately HK\$4.1 million) advertising income to the Group during the Year, representing a decrease of approximately 11.7% as compared to that of the year ended 31 March 2019. The decrease in the advertising income was mainly due to decrease in advertising projects during the Year due to keen competition in the media advertising industry and reduced demand under outbreak of COVID-19.

Financial Services

The financial services segment mainly represents the provision of services relating to the dealing in securities via a licensed corporation under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") and provision of money lending services.

The provision of services relating to the dealing in securities mainly involves provision of Type 1 (dealing on securities) regulated activities and services under the SFO while the money lending business mainly involves provision of financial credit services such as personal loans and commercial loans to individuals and corporations.

In view of the unstable economic outlook of Hong Kong and evaluation of the current businesses of the Group, it will be difficult for the Group's type 1 licensed corporation to achieve growth without commitment of significant working capital, the Group has entered into a sale and purchase agreement to dispose the licensed corporation, which was subsequently terminated. For details, please refer to the Company's announcements dated 18 March 2020 and 15 April 2020. The Group is currently in negotiation with some potential buyers.

MANAGEMENT DISCUSSION AND ANALYSIS

The money lending business remained stable during the Year. Yet, based on the assessment on expected credit losses with reference to the historical performance of the receivables and forward-looking information such as the social, economic and financial environment, the impairment loss on loan receivables recognised during the Year are higher as compared to last year due to the outbreak of COVID-19 and its anticipated impact on the economy.

This business segment contributed approximately HK\$12.8 million (2019: approximately HK\$13.4 million) to the Group's revenue for the Year, representing a slight decrease of approximately 4.3% as compared to that of the year ended 31 March 2019.

REVIEW ON PROVISION OF FINANCIAL ASSISTANCE

During the Year, none of the financial assistance provided by the Group constituted "discloseable transaction" under Chapter 19 of the GEM Listing Rules, "connected transaction" under Chapter 20 of the GEM Listing Rules and "advances to entity" which requires disclosure pursuant to Chapter 17 of the GEM Listing Rules.

FUTURE PROSPECT

Looking ahead, the revenue from each of the sectors of asset advisory and corporate consultancy services remains promising with a steady demand for professional commercial services in the Greater China. As companies in the Greater China, especially in the PRC, continue to expand in corporate size, operational complexity and geographical diversification as well as undergo restructuring, listing and mergers and acquisitions, the demand for a leading professional advisor on asset value, procedures and regulations, as well as investment matching are expected to remain high. In view of the Group's existing competitive advantages and market position in its core business segments, the Group is confident that its experienced professional teams and provision of convenient one-stop professional services will keep it well-positioned to capture the surging business opportunities.

Due to the keen competition in the media advertising industry in the PRC and reduced demand from freezing of marketing spend in view of outbreak of COVID-19, the Group will dedicate even more efforts to broaden its customer base, improve cost control and actively adjust the business strategy in respond to COVID-19 and latest market changes.

The financial services segment is expected to be challenging in coming year. The Group will continue its effort to enhance our competitiveness within the ever changing industry and economy. The securities broking and trading of securities business is targeted to be disposed in coming year in order to streamline the Group's structure and to further enhance the financial position of the Group and better utilise the Group's financial resources.

The outbreak of COVID-19 in early 2020 severely affected the economic activities in PRC and even the whole world. For the year ended 31 March 2020, most of the projects performed by the Group were obtained before the outbreak and the Group has taken effective measures to ensure the implementation of the projects. As a result, the Group's operating performance for the Year was not significantly affected by the epidemic. Taking into account the uncertainty of the duration of the epidemic and the implementation of the preventive measures against the spread of the epidemic, the Group's future operating performance may be affected by changes in the future economic conditions and the extent of the impact cannot be predicted as at the reporting date. The Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

The Group will closely monitor its cash position, and will continue to seek investment and business opportunities, with a view to achieving a sustainable growth, increasing profitability and ultimately maximising the return to the Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's businesses is carried out in Hong Kong and the PRC and is denominated in Hong Kong dollars ("HK\$"), Renminbi ("RMB"), and United States dollars. The Group is of the opinion that its exposure to foreign exchange rate risk is limited. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had bank balances and cash of approximately HK\$10.3 million (2019: approximately HK\$7.0 million). Bank balances and cash were mainly denominated in HK\$ and RMB. As at 31 March 2020, the Group had net current assets of approximately HK\$83.3 million (2019: approximately HK\$158.0 million). Current ratio as at 31 March 2020, as calculated based on dividing current assets by current liabilities, was approximately 2.2 (2019: 3.5).

The Group's operations and investments are financed principally by revenue generated from business operations and available bank balances. As at 31 March 2020, the Group had total borrowings (comprising borrowings and promissory notes) of approximately HK\$65.9 million (2019: approximately HK\$66.0 million) and a net gearing ratio, which is defined as net debt (total borrowings net of cash and bank balances) over total equity of 0.51 (2019: 0.23) was resulted. The borrowings represented bank loan of approximately HK\$1.4 million (2019: approximately HK\$1.7 million), bank overdrafts of approximately HK\$3.3 million (2019: HK\$2.7 million) and as at 31 March 2020, the Group had other loan repayable within 1 year of HK\$4.0 million (2019: HK\$6.0). The bank loan were denominated in HK\$ and carried an average annual interest rate of 2.5% (2019: denominated in HK\$ and carried an average annual interest rate of 2.5%) and the bank overdrafts were denominated in HK\$ and carried an variable annual interest rate of 4.5% (2019: denominated in HK\$ and carried an variable annual interest rate of 4.6%), while the other loan repayable within 1 year was denominated in HK\$ and the interest charged at 12% and 36% per annum (2019: 36%). The promissory notes were denominated in HK\$ and interest-bearing 3% (2019: 3%) per annum. For details of promissory notes, please refer to note 35 to the consolidated financial statements in this annual report.

CAPITAL STRUCTURE

Details of the Company's share capital are set out in note 37 to the consolidated financial statements in this annual report.

CAPITAL COMMITMENT

As at 31 March 2020 and 2019, the Group did not have any significant capital commitments.

OPERATING LEASE COMMITMENTS

The Group's operating lease commitments were primarily related to the leases of its office premises. As at 31 March 2020, the outstanding lease commitments is approximately HK\$27,000 (2019: approximately HK\$17,607,000).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2020, the Group's financial assets at FVTPL, with market value of approximately HK\$12.1 million (2019: approximately HK\$45.9 million), represented investment portfolio of 4 equity securities listed in Hong Kong (31 March 2019: investment portfolio of 8 equity securities listed in Hong Kong). Details of the financial assets at FVTPL were set out as follows:

| Name of securities | Investment cost HK\$'000 | Number of shares held | Approximately percentage of shareholding interest | As at 31 March 2020 | | | For the year ended 31 March 2020 | | As at 31 March 2019 |
|---|-----------------------------|-----------------------|---|---|---|--|----------------------------------|-----------------------------|---|
| | | | | Fair value/ carrying value HK\$'000 | Approximately percentage to the financial assets at FVTPL | Approximately percentage to the net assets | Realised loss HK\$'000 | Unrealised loss HK\$'000 | Fair value/ carrying value HK\$'000 |
| WLS Holdings Limited ("WLS") (Stock code: 8021) (Note 1) | 21,669 | 250,000,000 | 1.74% | 7,000 | 57.8% | 5.7% | 3,203 | 3,500 | 17,472 |
| China e-Wallet Payment Group Limited ("e-Wallet") (Stock code: 802) (Note 2) | 6,420 | 60,000,000 | 2.19% | 4,800 | 39.7% | 3.9% | – | 7,920 | 12,720 |
| Other investments (Notes 3 and 4) | 12,172 | | | 301 | 2.5% | 0.2% | 10,653 | 224 | 15,757 |
| | 40,261 | | | 12,101 | 100% | 9.8% | 13,856 | 11,644 | 45,949 |

Notes:

1. WLS is principally engaged in the provision of scaffolding and fitting-out services, management contracting services, other services for construction and buildings work, money lending business and trading of securities in Hong Kong.
2. e-Wallet is principally engaged in the provision of biometric and radio frequency identification products and solution services, internet and mobile application and related services.
3. The carrying value of each of these investments represented less than 1% of the net assets of the Group as at 31 March 2020.
4. The Group had less than 1% of the shareholding interest in each of these investments as at 31 March 2020.

During the Year, the Group recorded a realised loss of approximately HK\$13.9 million (2019: gain of approximately HK\$4.2 million) and a net unrealised loss of approximately HK\$11.6 million (2019: unrealised loss of approximately HK\$13.0 million). The overall loss on the listed equity securities held was mainly due to the volatile stock market conditions during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

The future performance of the equity securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Save as disclosed above, there were no other significant investments held as at 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other plans for material investments and capital assets as of 31 March 2020.

CHARGES ON ASSETS

At 31 March 2020, the carrying amount of deposits placed for life insurance policies held by the Group amounted to approximately HK\$2,755,000 (2019: HK\$2,665,000) was pledged to bank to secure the bank loan and overdrafts granted to the Group.

CONTINGENT LIABILITIES

As at 31 March 2020 and 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 47 (31 March 2019: 64) employees. Total staff costs (including Directors' emoluments) were approximately HK\$31.6 million (2019: approximately HK\$24.5 million) for the Year. Employees' remuneration, promotion and salary increments are assessed based on both individual's and Company's performance and individual's professional and working experience and by reference to the prevailing market practice and standards. The Company has adopted a share option scheme for the grant of share options to eligible participants. The Group also provides and arranges on-the-job training for the employee. The Group regards quality staff as one of the key factors to corporate success.

EVENT AFTER THE REPORTING PERIOD

Please refer to note 47 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ip Kwok Kwong, aged 59, is one of the founding directors of the Group and was appointed as an executive Director and the managing director of the Company (the "Managing Director") in December 2010. He is the compliance officer and an authorised representative of the Company. He is also a member of each of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Board, and a director of certain subsidiaries of the Company. Mr. Ip is responsible for overall management and development including frontline co-ordination with clients, organisations as well as formulation of development strategy of the Group. Professionally, Mr. Ip is a Chartered Valuation Surveyor, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance of Hong Kong and a Registered Business Valuer of the Hong Kong Business Valuation Forum. Mr. Ip was appointed as a committee member of the People's Political Consultative Conference of Harbin, the PRC in the second half of 2011 after having received the Outstanding Entrepreneurship Award from the Enterprise Asia, a non-governmental organisation for entrepreneurship in mid-2011. He is now a vice president of Asia Pacific Professional Managers Association. Mr. Ip is the sole director of Brilliant One Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Wu Di, aged 39, was appointed as a non-executive Director on 20 November 2014 and redesignated as an executive Director on 20 July 2015. He was appointed as a member of each of the Remuneration Committee and the Nomination Committee on 10 May 2017. Mr. Wu is a director of certain subsidiaries of the Company. He holds a bachelor's degree in business administration from the Dongbei University of Finance and Economics (東北財經大學) in the PRC. He has about 16 years of experience in strategic planning, corporate management and business development. He has worked for various corporations and held management positions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Ka Chun, aged 38, was appointed as an independent non-executive Director, the chairman of the audit committee of the Board (the "Audit Committee") and a member of each of the Nomination Committee and the Remuneration Committee on 8 January 2018. He holds a Bachelor of Business (Accounting) degree from the Australian Catholic University and a Master of Science in Finance degree from the City University of Hong Kong. He was a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung acts as company secretary of Wei Yuan Holdings Limited (Stock Code: 1343) since 10 June 2019 and Jinhai International Group Holdings Limited (stock code: 2225) from 28 June 2019 to 1 November 2019. He worked with the Company as an assistant manager during the period from May 2012 to February 2014. He has over ten years of experience in the field of finance and accounting and served managerial positions with the finance department of various companies listed in Hong Kong.

Mr. So Kwok Yun, aged 58, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of Audit Committee and the Nomination Committee on 15 December 2017. He obtained a Bachelor of Arts (Architectural Studies) degree and a Bachelor of Architecture degree from the University of Hong Kong in 1984 and 1986, respectively. He was admitted as a member of the Hong Kong Institute of Architects in 1988 and a member of the Royal Institute of British Architects in 1990. He is also currently registered as an Authorized Person under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong) and a Registered Architect in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the laws of Hong Kong). Mr. So has over thirty years of experience in the field of architecture and project management. He has taken up managerial positions with various established architecture and property development companies and was involved in a number of major commercial and residential property projects in Hong Kong, China and overseas. In 2003, Mr. So founded his architecture designing business in Shanghai, China. He further established DPS Design (SH) Co., Ltd.* (世天建築諮詢(上海)有限公司) in 2010 and has been serving as the managing director since its establishment.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS

Mr. Tang Wai Kee, aged 58, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee on 28 September 2017. He obtained a Bachelor of Science degree majoring in biology from the Chinese University of Hong Kong in 1983 and a Master of Science degree in financial economics from the University of London in 1995. Mr. Tang has over ten years of experience in the field of securities, futures and asset management. He has served as a responsible officer and/or licensed representative in various licensed corporations carrying out regulated activities under the SFO. Mr. Tang is currently licensed to carry out Types 1, 4 and 9 regulated activities under Schedule 5 of the SFO. Mr. Tang is also an individual member of the Global Association of Risk Professionals, a permanent member of Hong Kong Stockbrokers Association Limited and an individual member of the Market Technician Association.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board presents the corporate governance report for the Year.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value of the Company. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "CG Code").

During the Year, save as disclosed under the paragraphs headed "Chairman and Chief Executive Officer" of this corporate governance report, the Company complied with the code provisions as set out in the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealings in the securities of the Company by the Directors (the "Required Standard of Dealings"). Having made specific enquiry of all Directors by the Company, all the Directors confirmed that they had complied with the Required Standard of Dealings during the Year.

BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for overseeing the overall strategy and development of the Company as well as monitoring the risk management and internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategy and directions for the Group with a view to developing its business and enhancing the Shareholders' value.

The Board is also responsible for performing the corporate governance functions as set out in code provision D.3.1 of the CG Code, which include among other, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements, etc.

During the Year, the Board reviewed the compliance with the CG Code, the disclosure in the corporate governance report and the effectiveness of the risk management and internal controls systems of the Group through the Audit Committee.

The Board meets regularly at least four times each year, and more frequently as the needs of the business demand, to formulate overall strategy and monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for the day-to-day management of the Group's operation.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board meetings, reasonable notices are given. The agenda together with all relevant meeting materials are sent to all Directors at least 3 days before each regular Board meetings and at agreed periods for other meetings to enable them to make informed decisions with adequate information. The Board and each Director also have direct and independent access to the management whenever necessary.

CORPORATE GOVERNANCE REPORT

As at the date of this annual report, the Board comprises two executive Directors, namely Mr. Ip Kwok Kwong (Managing Director) and Mr. Wu Di; and three independent non-executive Directors (the “INEDs”), namely Mr. Cheung Ka Chun, Mr. So Kwok Yun and Mr. Tang Wai Kee.

During the Year, the Board held 6 Board meetings.

The attendance records of each Director for the Board, Board committees and annual general meeting (the “AGM”) of the Company for the Year are as follows:

| | Meetings attended/Meetings eligible to attend | | | | |
|--|---|-----------------|------------------------|----------------------|-----|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | AGM |
| Directors | | | | | |
| <i>Executive Directors</i> | | | | | |
| Mr. Ip Kwok Kwong (<i>Managing Director</i>) | 6/6 | N/A | 1/1 | 1/1 | 1/1 |
| Mr. Wu Di | 5/6 | N/A | 1/1 | 1/1 | 0/1 |
| <i>INEDs</i> | | | | | |
| Mr. Cheung Ka Chun | 6/6 | 5/5 | 1/1 | 1/1 | 1/1 |
| Mr. So Kwok Yun | 5/6 | 4/5 | 1/1 | 1/1 | 0/1 |
| Mr. Tang Wai Kee | 5/6 | 4/5 | 1/1 | 1/1 | 1/1 |

As at the date of this annual report, an executive committee of the Board (the “Executive Committee”) was formed comprising one executive Director, Mr. Ip Kwok Kwong. The Executive Committee is to enhance the day-to-day management and operation of the Group to be run effectively and has been delegated by the Board certain duties and authority relating to the areas in accounting operation of the Group and contracting with outsiders in the ordinary course of business of the Group.

The Company had three INEDs, at least one of whom is in possession of appropriate professional qualifications or accounting or related financial management expertise throughout the Year, in compliance with the GEM Listing Rules. The INEDs, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. Each INED has made an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and accordingly the Company considers each of them to be independent in accordance with the terms of the guidelines as set out in Rule 5.09 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

RELATIONSHIP

There was no relationship (including financial, business, family or other material relationship) among the Directors. The biographical details of each of the Directors as at the date of this annual report are set out in the section headed “Biographies of Directors” of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Company currently does not have any officer who carries the title of the chairman of the Board (the “Chairman”) or chief executive officer of the Company (the “CEO”) but instead, the roles of both the Chairman and the CEO are performed by Mr. Ip Kwok Kwong, an executive Director and the Managing Director. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the “Articles”) provide that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. In addition, at each AGM, 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 and that every Director shall be subject to retirement at least once every three years. Each of the INEDs are appointed for a term of not more than three years and subject to retirement by rotation (at least once every three years) and re-election in accordance with the Articles.

CORPORATE GOVERNANCE REPORT

DIRECTOR'S PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a comprehensive induction package (the "Package") designed to enhance his/her knowledge and understanding of the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, businesses strategies, recent developments and governance practices.

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors were requested to provide the Company with the records of the training they received. According to the training records maintained by the Company, all the Directors, namely Mr. Ip Kwok Kwong, Mr. Wu Di, Mr. Cheung Ka Chun, Mr. So Kwok Yun and Mr. Tang Wai Kee had participated in continuous professional development training such as attending external seminars organised by qualified professionals and reading materials to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

REMUNERATION COMMITTEE

The Board established the Remuneration Committee in May 2011 with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises two executive Directors, namely Mr. Ip Kwok Kwong and Mr. Wu Di; and three INEDs, namely Mr. So Kwok Yun (chairman of the Remuneration Committee), Mr. Cheung Ka Chun and Mr. Tang Wai Kee.

The primary duties of the Remuneration Committee are formulating remuneration policies, making recommendations to the Board on the remuneration packages of the Directors and senior management of the Group. The Directors are remunerated by reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. The Remuneration Committee adopted the advisory model under the CG Code to make recommendations to the Board on the remuneration packages of individual Director and senior management of the Group.

During the Year, the Remuneration Committee held 1 meeting to (i) review the remuneration policy; and (ii) review and recommend to the Board on the remuneration packages of the Directors and senior management of the Group.

Details of emoluments of the Directors for the Year are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Board established the Nomination Committee in May 2011 with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises two executive Directors, namely Mr. Ip Kwok Kwong and Mr. Wu Di; and three INEDs, namely Mr. Tang Wai Kee (chairman of the Nomination Committee), Mr. So Kwok Yun and Mr. Cheung Ka Chun.

The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for the nomination of Directors, identifying qualified individuals to become members of the Board and making recommendations to the Board on the appointment or re-appointment of Directors. As regards the nomination of Directors, the Board has adopted a nomination policy of the Company (the "Nomination Policy").

The Company has adopted a nomination policy with effect from 1 January 2019 which establishes written guidelines to Nomination Committee to select individuals to become Board members with reference to the formulated criteria and make recommendations to the Board in accordance with the nomination procedure. The Board is ultimately responsible for selection and appointment of new Directors. And the Company will review and reassess the nomination policy and its effectiveness on a regular basis or as required.

The Nomination Committee adopts various methods to identify director candidates, including recommendations from Board members, management and professional search firms. All director candidates, including incumbents and candidates nominated by shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders.

During the Year, the Nomination Committee held 1 meeting to (i) review the structure, size and composition of the Board; (ii) make recommendations to the Board on the re-appointment of retiring Directors; and (iii) assess the independence of the INEDs.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Board established the Audit Committee in May 2011 with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three INEDs, namely Mr. Cheung Ka Chun (chairman of the Audit Committee), Mr. So Kwok Yun and Mr. Tang Wai Kee.

The primary duties of the Audit Committee are supervising the risk management and internal control policies and the financial reporting systems and procedures of the Company, reviewing the financial statements and reports of the Group, and reviewing the terms of engagement and the scope of audit work of the Company's independent auditor (the "Independent Auditor").

During the Year, the Audit Committee held 5 meetings to (i) review the accounting principles and practices adopt by the Group with the management and the Independent Auditor; (ii) discuss auditing, internal control and financial reporting matters; (iii) review the audited consolidated financial statements, including the audited consolidated results for the year ended 31 March 2019, the unaudited interim results for the six months ended 30 September 2019 and quarterly results for the three months and nine months ended 30 June 2019 and 31 December 2019, and (iv) the internal control of the Company.

The Group's risk management and internal control systems are reviewed regularly by management. With the view of enhancing the Group's risk management and internal control systems, during the Year, the Company had independent consultant to perform the internal audit function to review the Group's risk management and internal control systems and recommended actions to improve the risk management and internal controls of the Group.

Based on the review, the Audit Committee is of the view that the Group's risk management and internal control systems were generally effective and adequate and in compliance with the requirements of the CG Code C.2.1 for the Year in all material respects.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity policy (the "Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board will review such objectives from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

As at the date of this annual report, the Board comprises Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has a balanced composition of executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements, appropriate accounting policies and standards are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR AND ITS REMUNERATION

The statement of the Independent Auditor about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" of this annual report.

The fees paid or payable to the Independent Auditor in respect of the Year amounted to approximately HK\$650,000 for audit services and HK\$150,000 for non-audit services. Non-audit services include services in relation to review the Group's internal control and environmental, social and governance (the "ESG") report.

COMPANY SECRETARY

Ms. Cheng Lucy ("Ms. Cheng"), the company secretary of the Company (the "Company Secretary"), has been nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") under an engagement letter made between the Company and Boardroom. The primary person at the Company with whom Ms. Cheng has been contacting is Mr. Ip Kwok Kwong, an executive Director and the Managing Director, in relation to corporate secretarial matters. Ms. Cheng had received no less than 15 hours of relevant professional training for the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and conducted an annual review of the effectiveness of such systems through the Audit Committee. The Group's system of internal control 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 fulfilment of the business objectives. The 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 Shareholders' interests.

The Group has formulated a risk management policy and adopted a three-tier risk management approach to identify, assess and manage different types of risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provide technical support, develops new system and oversees portfolio management. It ensures risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an Internal Audit Function, assists the Audit Committee to review the first and second lines of defence.

CORPORATE GOVERNANCE REPORT

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the Year, covering the material financial, operational and compliance controls, which are considered effective and adequate.

The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis.

DIVIDEND POLICY

The Company has adopted a dividend policy, a summary of which is disclosed as below.

Any amount of dividends of the Company will be at the discretion of the Directors and will depend on, among other things, the Company's trading results, cash flows and financial condition as well as operating and capital requirements. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, including the approval of Shareholders.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirements under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorized use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, Company Secretary and investor relations officers are authorized to communicate with parties outside the Group.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM is held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting (the "EGM").

Pursuant to the Articles, the Shareholders, holding at the date of deposit of the written requisition to the Board or the Company Secretary not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, may require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out above.

The written requisition should be signed by the requisitionists and deposited at the head office of the Company (presently at Room 2709, 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong), specifying the Shareholders' contact details and the business or the resolution intended to be transacted or put forward at the general meeting.

For including a resolution to propose a person for election as a Director at general meeting, Shareholders are requested to follow the provisions of the Articles. A written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company (presently at Room 2709, 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong) provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules. The procedures for Shareholders to propose a person for election as a Director are posted on the Company's website.

Shareholders should direct questions about their shareholdings, the change of their corresponding address or dividend instructions, etc. to the Company's Hong Kong branch share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by post to the Company's head office mentioned above or by email to info@gca.com.hk for the attention of Mr. Ip Kwok Kwong, the Managing Director.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (www.gca.com.hk) provides an effective communication platform to the public and the Shareholders.

CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the Company's subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Company and the Group as at 31 March 2020 are set out in the consolidated financial statements on pages 39 to 132 of this annual report.

The Board has resolved not to recommend the payment of a final dividend for the Year (2019: Nil).

BUSINESS REVIEW AND PERFORMANCE

The fair review of the business of the Group for the Year and the potential future development of the Group's business and the performance analysis using key financial performance indicators are set out in the "Managing Director's Statement", "Management Discussion and Analysis", "Report of the Directors", "Consolidated Financial Statements" and "Financial Summary" of this annual report. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

There are no significant nor important event affecting the Group that has occurred since the end of the Year save as disclosed in note 47 to the consolidated financial statements.

ENVIRONMENTAL POLICY

The Group emphasises the importance of energy conservation and environmental protection as part of its corporate culture and encourages its employees to minimise the use of paper by promoting digitalisation of documents and better use of used paper. The Group has also participated in a carbon reduction program by replacing all traditional fluorescent lamps with energy-saving lamps within the working area.

In order to minimise the environmental impact, the Group will continue to review and improve the effectiveness of its management practices from time to time. The ESG report will be published as a separate report within three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC during the Year.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as valuable assets of the Group and the Group has been motivating the employees by providing reasonable remuneration package and implementing an annual appraisal system to provide opportunities for career development within the Group. In addition, the Group also offers other employee benefits, such as the medical and dental insurance, and training sponsorship, etc.

The Group provides good quality services to the customers and maintains effective communication with them. The Group treasures the long-term relationships developed with the customers and suppliers. During the Year, there was no material dispute or argument between the Group and its business partners.

The Company has made substantial efforts to fulfill its corporate social responsibilities by promoting sustainable growth within the Group and in the society. The Group is committed to providing a safe, healthy and enriching working environment for its employees. The Group hosted various after-work activities or sporting events for its employees during the Year to promote the importance of work-life balance. The Group has attached importance to the promotion of anti-corruption and integrity promotion system. The Group emphasises a code of conduct which forms part of the staff manual. Employees are required to act with integrity and to report any suspected bribery and money laundering cases. Whistle-blowing procedures are in place, which allows direct reporting to the chairman of the Audit Committee. In addition, employees are required to declare any conflict of interests when performing their duties.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

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

During the Year, the Company did not redeem any of its Shares listed on GEM, nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 48 to the consolidated financial statements and in the consolidated statement of changes in equity on page 43 respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company's reserve available for distribution to owners of the Company comprising share premium net of accumulated losses amounted to approximately HK\$42.6 million (2019: approximately HK\$180.7 million) calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Year are disclosed in note 45 to the consolidated financial statements. They did not constitute "connected transactions" or "continuing connected transactions", as defined in Chapter 20 of the GEM Listing Rules, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, both the aggregate percentage of sales to the Group's five largest customers and the aggregate percentage of purchases from the Group's five largest suppliers were less than 20% of total sales and purchases of the Group, respectively.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) has any beneficial interest in the Group's five largest customers and suppliers.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five individuals with the highest emoluments are set out in note 12 to the consolidated financial statements.

EMOLUMENT POLICY

The Remuneration Committee was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "SHARE OPTION SCHEME" below.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Executive Directors

Mr. Ip Kwok Kwong (*Managing Director*)
Mr. Wu Di

INEDS

Mr. Cheung Ka Chun
Mr. So Kwok Yun
Mr. Tang Wai Kee

REPORT OF THE DIRECTORS

Pursuant to Articles 84(1) and (2) of the Articles, Mr. Ip Kwok Kwong and Mr. So Kwok Yun will retire from office by rotation at the forthcoming AGM. All the above retiring Directors, being eligible, have offered themselves for re-election thereat.

The Company has received written confirmations of independence from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, the Company still considers the INEDs to be independent.

BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors are set out on pages 11 and 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for a term of three years and subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

Each of the INEDs has entered into a letter of appointment with the Company for a term of one year to three years and subject to retirement by rotation and re-election at the AGM pursuant to the Articles.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 45 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or the Director's connected entity had a material interest, whether directly or indirectly, which subsisted at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

As at 31 March 2020 or during the Year, no contract of significance in relation to business of the Group (whether for the provision of services to the Group or not) had been entered into between the Company, or any of its subsidiary companies, and a controlling shareholder of the Company (within the meaning of the GEM Listing Rules) or any of its subsidiaries.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person under the full-time employment of the Company, 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.

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

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Long positions in the Shares

| Name of Directors | Capacity/ nature of interests | Number of issued Shares held | Number of underlying Shares held | Total | Approximate percentage to the issued Shares (Note 1) |
|--------------------------------------|--|------------------------------------|--|------------|---|
| Mr. Ip Kwok Kwong ("Mr. Ip") | Interest in controlled corporation and beneficial owner/ Corporate interest and personal interest | 31,085,000 (Note 2) | 5,829,500 (Note 3) | 36,914,500 | 6.33% |
| Mr. Wu Di ("Mr. Wu") | Beneficial owner/Personal interest | – | 5,829,500 (Note 3) | 5,829,500 | 1.00% |
| Mr. Cheung Ka Chun ("Mr. Cheung") | Beneficial owner/Personal interest | – | 5,829,500 (Note 4) | 5,829,500 | 1.00% |
| Mr. So Kwok Yun ("Mr. So") | Beneficial owner/Personal interest | – | 5,829,500 (Note 4) | 5,829,500 | 1.00% |
| Mr. Tang Wai Kee ("Mr. Tang") | Beneficial owner/Personal interest | – | 5,829,500 (Note 4) | 5,829,500 | 1.00% |

REPORT OF THE DIRECTORS

Notes:

1. The percentage is calculated on the basis of the total number of issued Shares as at 31 March 2020 (i.e. 582,955,860 Shares).
2. 31,085,000 Shares were held by Brilliant One Holdings Limited (“Brilliant One”) which was wholly owned by GC Holdings Limited (“GC Holdings”). GC Holdings was wholly owned by Mr. Ip, an executive Director and the Managing Director. By virtue of the SFO, Mr. Ip was deemed to have interests in all the Shares held by Brilliant One.
3. Mr. Ip and Mr. Wu, executive Directors were granted the options under the share option scheme of the Company on 18 April 2019 at an exercise price of HK\$0.279 per Share with the exercisable period from 18 April 2019 to 17 April 2022 (both dates inclusive).
4. Mr. Cheung, Mr. So and Mr. Tang, INEDs were granted the options under the share option scheme of the Company on 31 March 2020 at an exercise price of HK\$0.114 per Share with the exercisable period from 31 March 2020 to 30 March 2023 (both dates inclusive).

(b) Long positions in the shares of associated corporations

| Name of Director | Name of associated corporations | Capacity/nature of interest | Number of issued shares held | Percentage of interest in associated corporations |
|------------------|---------------------------------|---|------------------------------|---|
| Mr. Ip (Note) | Brilliant One | Interest in a controlled corporation/ Corporate interest | 200 | 100% |
| Mr. Ip (Note) | GC Holdings | Beneficial owner/Personal interest | 1 | 100% |

Note: The Company was owned as to approximately 5.33% by Brilliant One. Brilliant One was wholly owned by GC Holdings. GC Holdings was wholly owned by Mr. Ip.

Save as disclosed above, as at 31 March 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2020, the following corporations which or persons who (other than a Director or the chief executive of the Company) had interests or short positions in the Shares and the underlying Shares, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to section 336 of the SFO:

Long positions in the Shares

| Name of Shareholders | Capacity/nature of interest | Number of issued Shares held | Approximate percentage to the issued Share (Note 1) |
|--|---|------------------------------|---|
| Brilliant One (Note 2) | Beneficial owner/Personal interest | 31,085,000 | 5.33% |
| GC Holdings (Note 2) | Interest in a controlled corporation/ Corporate interest | 31,085,000 | 5.33% |
| Laberie Holdings Limited ("Laberie") (Note 3) | Beneficial owner/Personal interest | 140,000,000 | 24.02% |
| SEEC Media Group Limited ("SEEC Media") (Note 3) | Interest in a controlled corporation/ Corporate interest | 140,000,000 | 24.02% |

Notes:

1. The percentage is calculated on the basis of the total number of issued Shares as at 31 March 2020 (i.e. 582,955,860 Shares).
2. Brilliant One was wholly owned by GC Holdings which was wholly owned by Mr. Ip, an executive Director and the Managing Director. Therefore, under the SFO, GC Holdings was deemed to be interested in all the Shares held by Brilliant One.
3. Laberie was wholly owned by SEEC Media. By virtue of the SFO, SEEC Media was deemed to be interested in all the Shares held by Laberie.

Save as disclosed above, as at 31 March 2020, the Company had not been notified by any corporation which or persons who (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Required Standard of Dealings. The Company had made a specific enquiry with each of the Directors and all of them confirmed that they had complied with the Required Standard of Dealings during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best of the Directors' knowledge, none of the Directors or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in the business that competed or might compete or was likely to complete, either directly or indirectly with the business of the Group during the Year and up to the date of this annual report.

CORPORATE GOVERNANCE

Details of the principal corporate governance policies and practices adopted by the Company are set out in the Corporate Governance Report on pages 13 to 21 of this annual report.

The compliance officer of the Company is Mr. Ip Kwok Kwong whose biographical details are set out on page 11 of this annual report. The Company Secretary is Ms. Cheng Lucy, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of Shares.

SHARE OPTION SCHEME

To attract and retain the eligible persons, provide an additional incentive to them and promote the success of the business of the Group, the Company conditionally approved and adopted a share option scheme (the "Scheme") by a resolution in writing on 18 May 2011 whereby the Board was authorised to grant options (the "Options") to subscribe for the Shares to the eligible participants as defined in the Scheme, including the Directors and employees. The Scheme is valid for a period of ten years commencing from the adoption date as defined in the Scheme, i.e. 18 May 2011.

REPORT OF THE DIRECTORS

A summary of the movements of the outstanding Options under the Scheme during the Year is as follows:

| Eligible participants | Number of underlying Shares comprised in Options | | | | | Outstanding as at 31 March 2020 (Note 1) | Exercise price per Share HK\$ | Adjusted exercise price per Share HK\$ | Date of grant | Exercisable period | |
|------------------------------------|--|-------------------------|---------------------------|------------------------|---------------------------|---|-------------------------------|--|---------------|--------------------|---|
| | Outstanding as at 1 April 2019 | Granted during the Year | Exercised during the Year | Lapsed during the Year | Cancelled during the Year | | | | | | |
| Directors | | | | | | | | | | | |
| Mr. Ip Kwok Kwong | - | 5,829,500 | - | - | - | 5,829,500 | 0.279 | N/A | N/A | 18.4.2019 | 18.4.2019-17.4.2022 (both dates inclusive) |
| Mr. Wu Di | - | 5,829,500 | - | - | - | 5,829,500 | 0.279 | N/A | N/A | 18.4.2019 | 18.4.2019-17.4.2022 (both dates inclusive) |
| Mr. Cheung Ka Chun | - | 5,829,500 | - | - | - | 5,829,500 | 0.114 | N/A | N/A | 31.3.2020 | 31.3.2020-30.3.2023 (both dates inclusive) |
| Mr. So Kwok Yun | - | 5,829,500 | - | - | - | 5,829,500 | 0.114 | N/A | N/A | 31.3.2020 | 31.3.2020-30.3.2023 (both dates inclusive) |
| Mr. Tang Wai Kee | - | 5,829,500 | - | - | - | 5,829,500 | 0.114 | N/A | N/A | 31.3.2020 | 31.3.2020-30.3.2023 (both dates inclusive) |
| Employees | 25,830 | - | - | - | - | 25,830 | 0.20 | 1.626 | 1 and 2 | 6.1.2012 | One-third of the Options is exercisable from 30.1.2012 to 17.5.2021, one-third of the Options is exercisable from 1.1.2013 to 17.5.2021 and the remaining one-third of the Options is exercisable from 1.1.2014 to 17.5.2021. |
| | 7,380 | - | - | (7,380) | - | - | 0.20 | 1.626 | 1 and 2 | 6.1.2012 | 1.7.2012 – 17.5.2021 (both dates inclusive) |
| | 7,380 | - | - | - | - | 7,380 | 0.20 | 1.626 | 1 and 2 | 6.1.2012 | 30.1.2012 – 17.5.2021 (both dates inclusive) |
| | 55,350 | - | - | - | - | 55,350 | 0.20 | 1.626 | 1 and 2 | 6.1.2012 | One-third of the Options is exercisable from 1.7.2013 to 17.5.2021, one-third of the Options is exercisable from 1.1.2014 to 17.5.2021 and the remaining one-third of the Options is exercisable from 1.1.2015 to 17.5.2021. |
| | - | 23,318,000 | - | - | - | 23,318,000 | 0.279 | N/A | N/A | 18.4.2019 | 18.4.2019-17.4.2022 (both dates inclusive) |
| | - | 40,806,500 | - | - | - | 40,806,500 | 0.114 | N/A | N/A | 31.3.2020 | 31.3.2020-30.3.2023 (both dates inclusive) |
| Other eligible participants | - | 23,318,000 | - | - | - | 23,318,000 | 0.279 | N/A | N/A | 18.4.2019 | 18.4.2019-17.4.2022 (both dates inclusive) |
| | 48,575,000 | - | - | (9,715,000) | - | 38,860,000 | 0.0726 | 0.726 | 2 | 10.11.2017 | 10.11.2017 – 9.11.2020 (both dates inclusive) |
| | 48,670,940 | 116,590,000 | - | (9,722,380) | - | 155,538,560 | | | | | |

REPORT OF THE DIRECTORS

Notes:

1. Pursuant to the Company's announcement dated 27 August 2014, the exercise price and the number of underlying shares comprised in the outstanding Options have been adjusted as a result of the completion of an open offer of shares with effect from 28 August 2014.
2. Pursuant to the Company's announcement date 15 January 2019, the exercise price and the number of underlying shares comprised in the outstanding Options have been adjusted as a result of the completion of share consolidation with effect from 15 January 2019.

Share options comprising a total of 116,590,000 Options were granted to eligible participants (including certain Directors) on 18 April 2019 and 31 March 2020. The closing prices of the Shares immediately before the dates on which the Options were granted were HK\$0.270 and HK\$0.114, respectively.

Save as disclosed above, no share options were granted or exercised or cancelled or lapsed during the Year.

As at the date of this report, there were a total of 586 Shares available for issue under the Scheme, which represented less than 0.01% of the issued share capital of the Company. The Company intends to refresh the Scheme limit at forthcoming AGM.

An offer for the grant of Options must be accepted within twenty-one days inclusive of the day on which such offer is made. The amount payable by the grantee of an Option to the Company on acceptance of the offer for the grant of an Option is HK\$1.00. The Option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option and it shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. The subscription price of a Share in respect of any particular Option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the Option; and (iii) the nominal value of a Share on the offer date of the Option.

The total number of Shares issued and to be issued upon exercise of the Options granted to each grantee (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to an eligible participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in a general meeting.

Where any grant of Options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of his/her close associates or an INED would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by the Shareholders in a general meeting.

REPORT OF THE DIRECTORS

The maximum number of Shares in respect of which the Options may be granted at any time under the Scheme together with the Options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of Shares as equals 10% of the issued share capital of the Company at the date of approval of the Scheme. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time. An Option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Further details of the Scheme are set out in note 40 to the consolidated financial statements.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "SHARE OPTION SCHEME" above, at no time during the Year was the Company, its subsidiaries, fellow subsidiaries and holding company or its other associated corporations a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

EQUITY-LINKED AGREEMENT

Save for the share options granted during the Year, details of which are set out under the section headed "SHARE OPTION SCHEME" in this report, the Company has not entered into any equity-linked agreement during the Year or subsisted at the end of the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, there has been a sufficient public float of the issued Shares as required under the GEM Listing Rules (i.e. at 25% of the issued Shares in public hands) throughout the Year and as at the date of this report.

REVIEW BY AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely Mr. Cheung Ka Chun, Mr. So Kwok Yun and Mr. Tang Wai Kee, all being INEDs. Mr. Cheung Ka Chun is the chairman of the Audit Committee. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

REPORT OF THE DIRECTORS

INDEPENDENT AUDITOR

Zhonghui Anda CPA Limited resigned as the Independent Auditor with effect from 18 February 2019. World Link CPA Limited was appointed as the Independent Auditor with effect from 20 February 2019 to fill the casual vacancy following the resignation of Zhonghui Anda CPA Limited. On 25 February 2020, World Link CPA Limited resigned as the Independent Auditor and McMillan Woods (Hong Kong) CPA Limited has been appointed as the new Independent Auditor on the same date to fill the casual vacancy following the resignation of World Link CPA Limited. Save as disclosed, there has been no changes in the Independent Auditor in any of the preceding three years.

The consolidated financial statements for the year ended 31 March 2020 have been audited by McMillan Woods (Hong Kong) CPA Limited.

McMillan Woods (Hong Kong) CPA Limited shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of McMillan Woods (Hong Kong) CPA Limited as the Independent Auditor will be proposed at the forthcoming AGM.

On behalf of the Board

Ip Kwok Kwong

Executive Director and Managing Director

Hong Kong, 23 June 2020

INDEPENDENT AUDITOR'S REPORT



**TO THE SHAREHOLDERS OF
ASIA-PAC FINANCIAL INVESTMENT COMPANY LIMITED**
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia-Pac Financial Investment Company Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 131, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

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. The key audit matters we identified are:

- 1) Impairment of the Group's loan receivables
- 2) Impairment of goodwill

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>(1) Impairment of the Group's loan receivables</p> <p>Refer to the summary of significant accounting policies in note 4, critical judgements and key estimates in note 5 and the disclosures of loan receivables in note 24 to the consolidated financial statements.</p> <p>The Group tested the amount of loan receivables for impairment in accordance with expected credit loss ("ECL") model under HKFRS 9.</p> <p>The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.</p> <p>Due to the significant amount of loan receivables (with carrying amount representing 61% of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.</p> | <p>Our procedures in relation to this matter included:</p> <p>Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, debt collection and estimate of ECL;</p> <p>Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances;</p> <p>Reviewing settlements after the financial year end relating to the loan receivables as at 31 March 2020; and</p> <p>Assessing the disclosures made in the consolidated financial statements in relation to the Group's credit risk exposure.</p> |

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| (2) Impairment of goodwill | |
| Refer to the summary of significant accounting policies in note 4, critical judgements and key estimates in note 5 and the disclosures of goodwill in note 21 to the consolidated financial statements. | Our procedures in relation to this matter included: Assessing the identification of the related cash generating units; |
| The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of HK\$43,196,000 as at 31 March 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates. | Assessing the arithmetical accuracy of the value-in-use and fair value less costs of disposal calculations; Comparing the actual cash flows with the cash flow projections; Assessing the reasonableness of the key assumptions used in the value-in-use calculation (including revenue growth, profit margins, terminal growth rates and discount rates); Assessing the reasonableness of the key assumptions used in the fair value less costs of disposal calculation (including book value multiple, marketability discount and control premium); and Checking input data to supporting evidence. |

OTHER MATTER

The consolidated financial statements of the Group for year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 21 June 2019.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information included in the Company's 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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

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

The Audit Committee assists the directors in discharging their responsibilities 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. We report our opinion 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 skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Lo Ka Ki

Audit Engagement Director

Practising Certificate Number – P06633

3/F, Winbase Centre,
208 Queen's Road Central, Hong Kong

Hong Kong, 23 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Loan interest income | | 12,070 | 12,211 |
| Other revenue | | 33,893 | 40,436 |
| Total revenue | 8 | 45,963 | 52,647 |
| Cost of sales and services rendered | | (17,995) | (18,577) |
| Gross profit | | 27,968 | 34,070 |
| Other income | 9 | 2,722 | 7,564 |
| Administrative expenses | | (46,840) | (52,011) |
| Fair value change on financial assets at fair value through profit or loss ("FVTPL") | | (11,644) | (12,994) |
| Impairment losses on loan receivables | | (27,054) | (1,910) |
| Impairment losses on trade receivables | | (812) | (1,297) |
| Impairment losses on other receivables | | (4,373) | – |
| Loss on disposal of financial assets at FVTPL | | (13,856) | – |
| Other operating expenses | | (1,713) | – |
| Loss from operations | | (75,602) | (26,578) |
| Finance costs | 10 | (4,020) | (2,309) |
| Share of results of associates and a joint venture | | 234 | 48 |
| Impairment losses on goodwill | | (39,950) | (38,552) |
| Impairment losses on property, plant and equipment | | (15) | – |
| Impairment losses on intangible assets | | (10,496) | – |
| Gain on disposal of a joint venture | | 90 | – |
| Loss before tax | | (129,759) | (67,391) |
| Income tax credit | 13 | 749 | 2,440 |
| Loss for the year | 11 | (129,010) | (64,951) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Other comprehensive expense after tax: | | | |
| <i>Item that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (164) | (1,097) |
| Total comprehensive expense for the year | | (129,174) | (66,048) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (126,468) | (64,178) |
| Non-controlling interests | | (2,542) | (773) |
| | | (129,010) | (64,951) |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (127,447) | (65,075) |
| Non-controlling interests | | (1,727) | (973) |
| | | (129,174) | (66,048) |
| Loss per share (HK cents) | | | |
| Basic | 17 | (21.69) | (11.01) |
| Diluted | | (21.69) | (11.01) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 18 | 696 | 1,274 |
| Intangible assets | 20 | – | 12,800 |
| Goodwill | 21 | 43,196 | 83,146 |
| Deposits placed for life insurance policies | 22 | 2,755 | 2,665 |
| Investments in associates and a joint venture | 23 | – | 1,021 |
| Loan receivables | 24 | 52,597 | 53,818 |
| Other deposit | | – | 200 |
| Deferred tax assets | 36 | – | 1,320 |
| | | 99,244 | 156,244 |
| Current assets | | | |
| Trade receivables | 25 | 7,571 | 10,915 |
| Prepayments, deposits and other receivables | 26 | 16,472 | 29,792 |
| Loan receivables | 24 | 100,291 | 128,328 |
| Financial assets at FVTPL | 27 | 12,101 | 45,949 |
| Cash held on behalf on clients | 28 | – | 3,352 |
| Bank balances and cash | 28 | 3,517 | 3,631 |
| Tax recoverable | | – | 70 |
| | | 139,952 | 222,037 |
| Assets classified as held for sale | 15 | 11,279 | – |
| | | 151,231 | 222,037 |
| Current liabilities | | | |
| Trade payables | 29 | 5,450 | 10,200 |
| Accruals and other payables | 30 | 37,249 | 35,475 |
| Amount due to a director | 31 | 2,677 | 1,069 |
| Amount due to a related party | 31 | – | 4,714 |
| Contract liabilities | 32 | 2,076 | 2,015 |
| Bank and other borrowings | 33 | 8,698 | 10,406 |
| Lease liabilities | 34 | 6,807 | – |
| Finance lease payables | 34 | – | 127 |
| Tax payables | | 77 | 60 |
| | | 63,034 | 64,066 |
| Liabilities directly associated with assets classified as held for sale | 15 | 4,879 | – |
| | | 67,913 | 64,066 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Net current assets | | 83,318 | 157,971 |
| Total assets less current liabilities | | 182,562 | 314,215 |
| Non-current liabilities | | | |
| Promissory notes | 35 | 57,240 | 55,620 |
| Lease liabilities | 34 | 1,820 | – |
| Finance lease payables | 34 | – | 186 |
| Deferred tax liabilities | 36 | – | 2,112 |
| | | 59,060 | 57,918 |
| NET ASSETS | | 123,502 | 256,297 |
| Capital and reserves | | | |
| Share capital | 37 | 58,296 | 58,296 |
| Reserves | 38 | 59,998 | 189,537 |
| Equity attributable to owners of the Company | | 118,294 | 247,833 |
| Non-controlling interests | | 5,208 | 8,464 |
| TOTAL EQUITY | | 123,502 | 256,297 |

Approved and authorised for issue by the Board of Directors on 23 June 2020.

Ip Kwok Kwong
Director

Wu Di
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

| Attributable to the owners of the Company | | | | | | | | | |
|--|---------------------------|------------------------------|--------------------------------|--------------------------------------|-------------------------------|--------------------|-----------|---------------------------|--------------|
| | | Share premium | Capital reserve | Foreign currency translation reserve | Share options reserve | Accumulated losses | Sub-total | Non-controlling interests | Total equity |
| Note | Share Capital HK\$'000 | (note 38 (b)(i)) HK\$'000 | (note 38 (b)(iii)) HK\$'000 | (note 38 (b)(iii)) HK\$'000 | (note 38 (b)(iv)) HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2018 | 58,296 | 581,772 | 5,359 | 241 | 13,545 | (344,133) | 315,080 | 9,977 | 325,057 |
| Effect on initial application of HKFRS 15 | - | - | - | - | - | (2,172) | (2,172) | (540) | (2,712) |
| At 1 April 2018 (restated) | 58,296 | 581,772 | 5,359 | 241 | 13,545 | (346,305) | 312,908 | 9,437 | 322,345 |
| Lapse of share options | 40 | - | - | - | (2,546) | 2,546 | - | - | - |
| Total comprehensive expense for the year | - | - | - | (897) | - | (64,178) | (65,075) | (973) | (66,048) |
| Changes in equity for the year | - | - | - | (897) | (2,546) | (61,632) | (65,075) | (973) | (66,048) |
| At 31 March 2019 and 1 April 2019 | 58,296 | 581,772 | 5,359 | (656) | 10,999 | (407,937) | 247,833 | 8,464 | 256,297 |
| Adjustments on initial application of HKFRS 16 | - | - | - | - | - | (16,491) | (16,491) | (90) | (16,581) |
| At 1 April 2019 (restated) | 58,296 | 581,772 | 5,359 | (656) | 10,999 | (424,428) | 231,342 | 8,374 | 239,716 |
| Recognition of share-based payments | 40 | - | - | - | 13,055 | - | 13,055 | - | 13,055 |
| Lapse of share options | 40 | - | - | - | (2,245) | 2,245 | - | - | - |
| Acquisition of non-controlling interest (Note) | - | - | - | - | - | 1,344 | 1,344 | (1,439) | (95) |
| Total comprehensive expense for the year | - | - | - | (979) | - | (126,468) | (127,447) | (1,727) | (129,174) |
| Changes in equity for the year | - | - | - | (979) | 10,810 | (122,879) | (113,048) | (3,166) | (116,214) |
| At 31 March 2020 | 58,296 | 581,772 | 5,359 | (1,635) | 21,809 | (547,307) | 118,294 | 5,208 | 123,502 |

Note:

On 28 February 2020, the Group completed the purchase of remaining 5% equity interest of IAM GROUP INC. from the non-controlling interest at a consideration of HK\$95,000. The Group record a decrease in non-controlling interest of approximately HK\$1,439,000 and a increase in the balance in accumulated losses of approximately HK\$1,344,000 upon the completion of the purchase.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Loss before tax | | (129,759) | (67,391) |
| Adjustments for: | | | |
| Bank interest income | | (4) | (4) |
| Interest income on life insurance policies | | (120) | (108) |
| Depreciation | | 404 | 632 |
| Gain on disposal of property, plant and equipment | | (66) | – |
| Equity-settled share-based payments | | 13,055 | – |
| Share of results of associates and a joint venture | | (234) | (48) |
| Other payables written back | | – | (220) |
| Premium charged on life insurance policies | | 30 | 31 |
| Impairment losses on intangible assets | | 10,496 | – |
| Impairment losses on goodwill | | 39,950 | 38,552 |
| Impairment losses on trade receivables | | 812 | 1,297 |
| Impairment losses on loan receivables | | 27,054 | 1,910 |
| Impairment losses on other receivables | | 4,373 | – |
| Impairment losses on property, plant and equipment | | 15 | – |
| Loss on disposal of financial assets at FVTPL | | 13,856 | – |
| Fair value change on financial assets at FVTPL | | 11,644 | 12,994 |
| Gain on disposal of a joint venture | | (90) | – |
| Finance costs | | 4,020 | 2,309 |
| Operating loss before working capital changes | | (4,564) | (10,046) |
| Decrease/(Increase) in trade and loan receivables | | 3,105 | (10,958) |
| Decrease/(Increase) in prepayments, deposits and other receivables | | 8,595 | (1,142) |
| Decrease/(Increase) in financial assets at FVTPL | | 8,348 | (1,055) |
| Decrease in bank balances and cash of client trust accounts | | 796 | 7,986 |
| Decrease in trade payables | | (1,171) | (6,140) |
| Increase/(Decrease) in contract liabilities | | 61 | (697) |
| Increase in accruals and other payables | | 2,091 | 9,196 |
| Increase/(Decrease) in amount due to a director | | 1,608 | (675) |
| (Decrease)/Increase in amount due to a related party | | (4,714) | 4,714 |
| Cash generated from/(used in) operations | | 14,155 | (8,817) |
| Income tax refund | | 70 | 620 |
| Interest paid | | (1,765) | (689) |
| Interest expenses on lease liabilities paid | | (635) | – |
| Net cash generated from/(used in) operating activities | | 11,825 | (8,886) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|---|-------|------------------|------------------|
| Cash flows from investing activities | | | |
| Acquisition of non-controlling interests | | (95) | – |
| Proceeds from disposal of a joint venture | | 250 | – |
| Dividend received from a joint venture | | 1,095 | – |
| Bank interest received | | 4 | 4 |
| Proceeds from disposal of property, plant and equipment | | 280 | – |
| Purchases of property, plant and equipment | | (98) | (82) |
| Net cash from/(used in) investing activities | | 1,436 | (78) |
| Cash flows from financing activities | | | |
| Proceeds from new borrowings raised | | 3,000 | 9,427 |
| Repayment of bank borrowings | | (5,311) | (3,729) |
| Principal elements of lease payments (2019: Repayment of finance leases payables) | | (7,284) | (122) |
| Net cash (used in)/from financing activities | | (9,595) | 5,576 |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of year | | 948 | 4,611 |
| Net effect of foreign exchange rate changes | | (151) | (275) |
| Cash and cash equivalents at end of year | | 4,463 | 948 |
| Analysis of cash and cash equivalents | | | |
| Bank balances and cash | 28 | 3,517 | 3,631 |
| Bank overdrafts | 33 | (3,286) | (2,683) |
| Bank balances and cash included in assets classified as held for sale | 15 | 4,232 | – |
| | | 4,463 | 948 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Asia-Pac Financial Investment Company Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 December 2010. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Room 2709, 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 May 2011.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are set out in note 46 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which in collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 4.625% to 5.125%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 41 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

| | HK\$'000 |
|--|----------|
| Operating lease commitments disclosed as at 31 March 2019 | 17,607 |
| Add: finance lease liabilities recognised as at 31 March 2019 | 313 |
| Add: contracts reassessed as lease contracts | 92 |
| Less: commitments relating to lease exempt from capitalisation: | |
| – short-term leases and other leases with remaining lease term ending on or before 31 March 2020 | (187) |
| Less: total future interest expenses | (931) |
| <hr/> | |
| Lease liabilities recognised as at 1 April 2019 | 16,894 |
| <hr/> | |
| Of which are: | |
| Current lease liabilities | 7,098 |
| Non-current lease liabilities | 9,796 |
| <hr/> | |
| | 16,894 |
| <hr/> | |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16 | Effects of adoption of HKFRS 16 | | | | |
|---|-------------------------------------|-------------------|-----------------------|--|------------------------------------|
| | Carrying amount as at 31 March 2019 | Re-classification | Recognition of leases | Impairment loss on right-of-use assets | Carrying amount as at 1 April 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Assets | | | | | |
| Right-of-use assets | – | – | 16,444 | (16,444) | – |
| Liabilities | | | | | |
| Lease liabilities | – | 313 | 16,581 | – | 16,894 |
| Finance lease payables | Note | 313 | (313) | – | – |

Note: The Group reclassified the obligation under finance leases of HK\$127,000 and HK\$186,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 44). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

| | 2020 | | | 2019 | |
|--|--|--|--|--|--|
| | Amounts reported under HKFRS 16 HK\$'000 | Add back: HKFRS 16 interest expense HK\$'000 | Deduct: Estimated amounts related to operating lease as if under HKAS 17 (Note 1) HK\$'000 | Hypothetical amounts for 2020 as if under HKAS 17 HK\$'000 | Compared to amounts reported for 2019 under HKAS 17 HK\$'000 |
| Financial result for year ended | | | | | |
| 31 March 2020 impacted by | | | | | |
| the adoption of HKFRS 16: | | | | | |
| Loss from operations | (75,602) | – | (7,599) | (83,201) | (26,578) |
| Finance costs | (4,020) | 635 | – | (3,385) | (2,309) |
| Loss before tax | (129,759) | 635 | (7,599) | (136,723) | (67,391) |
| Loss for the year | (129,010) | 635 | (7,599) | (135,974) | (64,951) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

| | 2020 | | | 2019 |
|--|--|--|--|--|
| | Amounts reported under HKFRS 16 HK\$'000 | Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 & 2) HK\$'000 | Hypothetical amounts for 2020 as if under HKAS 17 HK\$'000 | Compared to amounts reported for 2019 under HKAS 17 HK\$'000 |

Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Cash generated from/(used in) operations | 14,155 | (7,599) | 6,556 | (8,817) |
| Interest element of lease rentals paid | (635) | 635 | – | – |
| Net cash generated from/(used in) operating activities | 11,825 | (6,964) | 4,861 | (8,886) |
| Capital element of lease rentals paid | (7,284) | 6,964 | (320) | (122) |
| Net cash (used in)/from financing activities | (9,595) | 6,964 | (2,631) | 5,576 |

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(b) New and revised HKFRSs in issue but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2019 and have not been early adopted by the Group:

| | |
|---|--|
| Amendments to HKFRS 3 | Definition of a Business ⁽¹⁾ |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ⁽¹⁾ |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting ⁽¹⁾ |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Hedge accounting ⁽¹⁾ |
| HKFRS 17 | Insurance Contracts ⁽²⁾ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾ |

(1) Effective for the Group for annual period beginning on 1 April 2020.

(2) Effective for the Group for annual period beginning on 1 April 2021.

(3) Effective date to be determined.

The Company's directors have performed an assessment on these new standards and amendments to standards, and have concluded on a preliminary basis that the adoption of these new standards and amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. revaluation of investments and share-based payments that are measured at fair values).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

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 the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

| | |
|-------------------------|--------------|
| Leasehold improvement | 4 to 5 years |
| Furniture and equipment | 5 years |
| Office equipment | 4 to 5 years |
| Motor vehicle | 5 years |

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

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

When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale and discontinued operations".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trading rights

Trading rights are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. The trading rights will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The useful life of the trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is account for on a prospective basis.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *The Group as a lessee*

Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(i) *The Group as a lessee* (Continued)

Policy applicable from 1 April 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(i) *The Group as a lessee* (Continued)

Policy prior to 1 April 2019 (Continued)

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(h) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(x) and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Recognition and derecognition of financial instruments (Continued)

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

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 company or the counterparty.

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

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

(m) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

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

(r) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

For all financial instruments measured at amortised cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset is adjusted if the Group revises its estimates of receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income.

Once the value of a financial asset or a group of similar financial assets had been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Revenue from asset appraisal services, corporate services and financial services are recognised when the performance obligations of the underlying contract are satisfied.

Securities brokerage service income, such as the arrangement of the acquisition of shares or other securities, is recognised on completion of the underlying transaction.

Advertising services is recognised when the related advertisements are telecasted or displayed.

Sub-leasing income is recognised on a straight-line basis over the lease term.

Interest income from financial services and financial assets is recognised on a time-proportion basis using the effective interest method.

Services income from financial services is recognised when the services are rendered.

Management fee income is recognised when the services have been provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

i) Employee leave entitlements

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

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

ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

iii) Termination benefits

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

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and other eligible participants. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to other eligible participants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(v) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Taxation (Continued)

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(w) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value-in-use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Impairment of non-financial assets (Continued)

Value-in-use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

Impairment under expected credit losses ("ECL") model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables and loan receivables, and measures the lifetime ECL for portfolios of trade and other receivables and loan receivables that share similar economic risk characteristics. The ECL on these assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimates of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL ("12m ECL"), unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, relevant think-tanks and other as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- 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 for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition.

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

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

Measurement and recognition of 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 adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

Where lifetime ECL is measured to cater for cases where evidence of significant increase in credit risk at the individual instrument level may not yet be available. The financial instruments are grouped on the following basis:

- Nature of financial instruments;
- 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.

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

The Group recognises an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(y) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in note 4(x), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) *Income taxes*

The Group is subject to Hong Kong Profits Tax and Enterprise Income Tax ("EIT") of the People's Republic of China (the "PRC"). Significant estimates are 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write-down technically obsolete or non-strategic assets that have been abandoned.

As at 31 March 2020, the carrying amount of property, plant and equipment was approximately HK\$696,000 (2019: HK\$1,274,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(c) Impairment of trade and loan receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and loan receivables based on the credit risk of trade and loan receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2020, the carrying amount of trade and loan receivables was approximately HK\$160,459,000 (2019: HK\$193,061,000).

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use and fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. 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. Calculation of fair value by market approach requires valuation technique which used prices and other relevant information generated by market transactions involving identical and comparable group of assets and liabilities or business, a suitable book value multiple and marketability discount rate. The carrying amount of goodwill at the end of the reporting period was approximately HK\$43,196,000 (2019: HK\$83,146,000) and impairment losses of approximately HK\$39,950,000 (2019: HK\$38,552,000) was recognised during the year. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, interest rate 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 board of directors review and agree policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities of the Group's entities are principally denominated in their respective functional currencies.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Price risk

As set out in note 27 to the consolidated financial statements, the Group's listed investments were designated at financial assets at FVTPL are measured at fair value at the end of each reporting period. Therefore, the Group's investments in listed equity securities are exposed to equity securities price risk. The management manages this exposure by monitoring the change of market prices of the equity securities from time to time, and by maintaining a portfolio of investments with different risk profiles.

At 31 March 2020, if the price per share of the investments increases/decreases by 10%, loss after tax for the year would have been decreased/increased by approximately HK\$1,667,000 (2019: loss after tax would have been decreased/increased by approximately HK\$3,836,000), arising as a result of the fair value movements of the investments.

(c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2020 and 2019 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its deposits paid for life insurance policies, trade receivables, loan receivables, deposits and other receivables, financial assets at FVTPL and bank balances and cash. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

- significant increases in credit risk on other financial instruments of the same customer;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 365 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 2 years past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

81% (2019: 82%) of loan receivables as at 31 March 2020 are secured by listed shares. The Group closely monitors the value of the listed shares throughout the loan period.

Deposits paid for life insurance policies with carrying amount of approximately HK\$2,755,000 (2019: HK\$2,665,000) were the deposits placed into financial institution. However, having considered the strong financial background of the financial institution, the directors of the Company believes that there is no significant credit risk.

The Group has no significant concentration of credit risk as at 31 March 2020 and 2019.

(d) Interest rate risk

The Group's loan receivables, bank borrowings, other borrowings, promissory notes and lease liabilities bear interests at fixed interest rates and therefore are not subject to interest rate risks.

The Group's exposure to interest rate risk arises from its bank deposits, deposits placed for life insurance policies and bank overdrafts. These deposits and overdrafts bear interests at floating rates varied with the then prevailing market condition.

The sensitivity analysis below had been determined based on the exposure to interest rates for floating rate deposits and bank overdrafts at the reporting dates and the stipulated changes taking place at the beginning of the year and held constant throughout the year. The analysis was prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk (Continued)

If interest rates on floating rate deposits and overdrafts had been 50 basis points higher/lower and all other variables were held constant, the loss after tax for the year ended 31 March 2020 would be increased/decreased by approximately HK\$16,000 (2019: decreased/increased by approximately HK\$15,000).

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

| At 31 March 2020 | On demand or less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Total carrying amount HK\$'000 |
|---|---|---|---|-----------------------------|---|---|
| <i>Financial liabilities subject to a repayment on demand clause:</i> | | | | | | |
| Bank and other borrowings | 8,698 | - | - | - | 8,698 | 8,698 |
| Amount due to a director | 2,677 | - | - | - | 2,677 | 2,677 |
| <i>Financial liabilities not subject to a repayment on demand clause:</i> | | | | | | |
| Trade payables | 5,450 | - | - | - | 5,450 | 5,450 |
| Accruals and other payables | 37,249 | - | - | - | 37,249 | 37,249 |
| Promissory notes | - | 59,520 | - | - | 59,520 | 57,240 |
| Lease liabilities | 7,065 | 1,835 | - | - | 8,900 | 8,627 |
| | 61,139 | 61,355 | - | - | 122,494 | 119,941 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

| | On demand or less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total undiscounted cash flows | Total carrying amount |
|---|-------------------------------------|-----------------------------|-----------------------------|-----------------|-------------------------------------|-----------------------------|
| At 31 March 2019 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Financial liabilities subject to a repayment on demand clause:</i> | | | | | | |
| Bank and other borrowings | 10,406 | – | – | – | 10,406 | 10,406 |
| Amount due to a director | 1,069 | – | – | – | 1,069 | 1,069 |
| Amount due to a related party | 4,714 | – | – | – | 4,714 | 4,714 |
| <i>Financial liabilities not subject to a repayment on demand clause:</i> | | | | | | |
| Trade payables | 10,200 | – | – | – | 10,200 | 10,200 |
| Accruals and other payables | 35,475 | – | – | – | 35,475 | 35,475 |
| Promissory notes | – | 58,860 | – | – | 58,860 | 55,620 |
| Finance lease payables | 134 | 134 | 57 | – | 325 | 313 |
| | 61,998 | 58,994 | 57 | – | 121,049 | 117,797 |

The table that follows summarises the maturity analysis of bank and other borrowings with a repayment on demand clause based on agreed scheduled repayments. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the “on demand” time band in the maturity analysis above. Taking into account the Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank and other borrowings will be repaid in accordance with the scheduled repayment dates.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total undiscounted cash flows | Total carrying amount |
|---------------------------|---------------------|-----------------------------|-----------------------------|-----------------|-------------------------------------|-----------------------------|
| At 31 March 2020 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank and other Borrowings | 8,177 | 350 | 789 | – | 9,316 | 8,698 |

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total undiscounted cash flows | Total carrying amount |
|---------------------------|---------------------|-----------------------------|-----------------------------|-----------------|-------------------------------------|-----------------------------|
| At 31 March 2019 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank and other Borrowings | 10,115 | 352 | 1,055 | 87 | 11,609 | 10,406 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 March

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Financial assets: | | |
| Financial assets at FVTPL | | |
| – Listed securities in Hong Kong | 12,101 | 45,949 |
| Financial assets at amortised cost (including cash and cash equivalents) | 181,510 | 230,557 |
| Financial liabilities: | | |
| Financial liabilities at amortised costs | 119,941 | 117,797 |

(g) Fair values

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

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

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values (Continued)

Disclosures of level fair value hierarchy at 31 March:

| | 2020 | | | Total 2020 HK\$'000 |
|---|---------------------|---------------------|---------------------|------------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| Recurring fair value measurements: | | | | |
| Financial assets at FVTPL | | | | |
| – Listed securities in Hong Kong | 12,101 | – | – | 12,101 |

| | 2019 | | | Total 2019 HK\$'000 |
|---|---------------------|---------------------|---------------------|------------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| Recurring fair value measurements: | | | | |
| Financial assets at FVTPL | | | | |
| – Listed securities in Hong Kong | 45,949 | – | – | 45,949 |

7. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

i) Asset advisory services and asset appraisal

Provision of asset appraisal and asset advisory services, including real estate and fixed asset appraisal, mineral property appraisal, business and intangible asset valuation, financial instrument valuation and advisory services.

ii) Corporate services and consultancy

Provision of company secretarial services, human resources management, accounting and tax services, corporate communication and marketing services, corporate governance, internal control, enterprise risk management services and management consultancy services.

iii) Media advertising

Provision of media advertising business services through in-elevator poster frames network and liquid-crystal displays network inside elevators or lobbies of middle to high-end residential community.

iv) Financial services

Provision of (i) financial credit services such as personal loans and commercial loans to individuals and corporations; and (ii) securities broking and trading of securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include corporate income and expenses, fair value change on financial assets at FVTPL, share of results of associates and a joint venture and finance costs. Segment assets do not include financial assets at FVTPL, and unallocated corporate assets. Segment liabilities do not include lease liabilities (2019: obligations under finance lease), amount due to a director, amount due to a related party and unallocated corporate liabilities. Segment non-current assets do not include corporate property, plant and equipment, goodwill, investments in associates and a joint venture.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technical requirements and marketing strategies.

(i) Information about reportable segment profits or losses, assets and liabilities:

| | Asset advisory services and asset appraisal | | Corporate services and consultancy | | Media advertising | | Financial services | | Total | |
|---|---|----------|------------------------------------|----------|-------------------|----------|--------------------|----------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Years ended 31 March | | | | | | | | | | |
| Revenue from external customers | 27,913 | 33,844 | 1,577 | 1,263 | 3,654 | 4,140 | 12,819 | 13,400 | 45,963 | 52,647 |
| Segment loss | (4,204) | (4,072) | (110) | (3,353) | (4,865) | (517) | (36,876) | (2,627) | (46,055) | (10,569) |
| As at 31 March | | | | | | | | | | |
| Segment assets | 12,535 | 24,267 | 7,032 | 1,382 | 1,589 | 51,304 | 161,993 | 241,836 | 183,149 | 318,789 |
| Segment liabilities | 22,040 | 23,616 | 22,185 | 9,931 | 576 | 602 | 11,332 | 72,943 | 56,133 | 107,092 |
| Amounts included in the measurement of segment profit/(loss) or segment assets: | | | | | | | | | | |
| Bank interest income | - | - | - | - | - | - | 4 | 4 | 4 | 4 |
| Depreciation | 319 | 467 | 2 | 17 | 59 | 112 | 24 | 36 | 404 | 632 |
| Staff costs | 13,647 | 16,025 | 3,988 | 3,877 | 652 | 715 | 3,284 | 3,050 | 21,571 | 23,667 |
| Impairment losses on trade receivables | 812 | 1,297 | - | - | - | - | - | - | 812 | 1,297 |
| Impairment losses on loan receivables | - | - | - | - | - | - | 27,054 | 1,910 | 27,054 | 1,910 |
| Impairment losses on other receivables | - | - | - | - | 4,373 | - | - | - | 4,373 | - |
| Impairment losses on intangible assets | - | - | - | - | - | - | 10,496 | - | 10,496 | - |
| Goodwill | - | - | - | - | 16,441 | 32,817 | 26,755 | 50,329 | 43,196 | 83,146 |
| Investment in associates and a joint venture | - | 1,021 | - | - | - | - | - | - | - | 1,021 |
| Additions to segment non-current assets | 86 | 65 | - | - | - | - | 12 | 17 | 98 | 82 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. SEGMENT INFORMATION (Continued)

(i) Information about reportable segment profits or losses, assets and liabilities: (Continued)

Reconciliations of reportable segment profits or losses are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Profit or loss | | |
| Total loss of reportable segments | (46,055) | (10,569) |
| Unallocated amounts: | | |
| Fair value change on financial assets at FVTPL | (11,644) | (12,994) |
| Gain on disposal of a joint venture | 90 | – |
| Impairment losses on goodwill | (39,950) | (38,552) |
| Share of results of associates and a joint venture | 234 | 48 |
| Other unallocated corporate expenses | (27,665) | (575) |
| Finance costs | (4,020) | (2,309) |
| Consolidated loss after tax | (129,010) | (64,951) |

Reconciliations of reportable segment assets and liabilities are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Segment assets | | |
| Total assets of reportable segments | 183,149 | 318,789 |
| Unallocated corporate assets | 55,225 | 13,543 |
| Financial assets at FVTPL | 12,101 | 45,949 |
| Consolidated total assets | 250,475 | 378,281 |

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Segment liabilities | | |
| Total liabilities of reportable segments | 56,133 | 107,092 |
| Unallocated corporate liabilities | 58,553 | 8,796 |
| Lease liabilities | 9,610 | – |
| Finance lease payables | – | 313 |
| Amount due to a related party | – | 4,714 |
| Amount due to a director | 2,677 | 1,069 |
| Consolidated total liabilities | 126,973 | 121,984 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. SEGMENT INFORMATION (Continued)

(i) Information about reportable segment profits or losses, assets and liabilities: (Continued)

| | 2020 | 2019 |
|--|----------|----------|
| | HK\$'000 | HK\$'000 |
| Bank interest income | | |
| Total interest income of reportable segments | 4 | 4 |
| Unallocated corporate interest income | – | – |
| Consolidated bank interest income | 4 | 4 |
| Depreciation | | |
| Total depreciation of reportable segments | 404 | 632 |
| Unallocated depreciation of corporate assets | – | – |
| Consolidated depreciation | 404 | 632 |
| Staff costs | | |
| Total staff costs of reportable segments | 21,571 | 23,667 |
| Unallocated corporate staff costs | 10,017 | 799 |
| Consolidated staff costs | 31,588 | 24,466 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. OTHER INCOME

| | 2020 | 2019 |
|--|--------------|--------------|
| | HK\$'000 | HK\$'000 |
| Bank interest income | 4 | 4 |
| Gain on disposal of property, plant and equipment | 66 | – |
| Interest income from deposits placed for life insurance policies | 120 | 108 |
| Sub-leasing income | 1,062 | 2,550 |
| Gain on disposal of financial assets at FVTPL | – | 4,228 |
| Other payables written back | – | 220 |
| Sundry income | 1,470 | 454 |
| | 2,722 | 7,564 |

10. FINANCE COSTS

| | 2020 | 2019 |
|--|--------------|--------------|
| | HK\$'000 | HK\$'000 |
| Finance lease charges | – | 12 |
| Interest on bank and other borrowings | 1,765 | 677 |
| Interest on promissory notes | 1,620 | 1,620 |
| Interest expenses on lease liabilities | 635 | – |
| | 4,020 | 2,309 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(credit) the following:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Auditor's remuneration | 650 | 650 |
| Staff costs including directors' remunerations | | |
| Salaries, bonus and allowances | 21,275 | 23,695 |
| Equity-settled share-based payments | 9,540 | – |
| Retirement benefit costs | 773 | 771 |
| | 31,588 | 24,466 |
| Depreciation | 404 | 632 |
| Equity-settled share-based payments to other eligible participants | 3,515 | – |
| Gain on disposal of property, plant and equipment | (66) | – |
| Gain on disposal of a joint venture | (90) | – |
| Impairment losses on goodwill | 39,950 | 38,552 |
| Impairment losses on other receivables | 4,373 | – |
| Impairment losses on trade receivables | 812 | 1,297 |
| Impairment losses on loan receivables | 27,054 | 1,910 |
| Loss on disposal of financial assets at FVTPL | 13,856 | – |
| Impairment losses on property, plant and equipment | 15 | – |
| Impairment losses on intangible assets | 10,496 | – |
| Fair value change on financial assets at FVTPL | 11,644 | 12,994 |
| Minimum lease payments under operating leases | | |
| – Land and buildings | – | 7,388 |
| – Photocopier machines | – | 140 |
| | – | 7,528 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Details of directors' emoluments are as follows:

For the year ended 31 March 2020

| | Fees HK\$'000 | Salaries and allowances HK\$'000 | Discretionary bonus HK\$'000 | Equity- settled share-based payments HK\$'000 | Retirement benefits scheme contributions HK\$'000 | Total HK\$'000 |
|--|------------------|--|------------------------------------|---|---|-------------------|
| Executive directors | | | | | | |
| Mr. Ip Kwok Kwong | - | 2,159 | - | 1,002 | 18 | 3,179 |
| Mr. Wu Di | - | 312 | - | 1,002 | - | 1,314 |
| Non-executive director | | | | | | |
| Ms. Yang Yan ¹ | - | - | - | - | - | - |
| Independent non-executive directors | | | | | | |
| Mr. Tang Wai Kee | 144 | - | - | 438 | - | 582 |
| Mr. So Kwok Yun | 144 | - | - | 438 | - | 582 |
| Mr. Cheung Ka Chun | 144 | - | - | 438 | - | 582 |
| | 432 | 2,471 | - | 3,318 | 18 | 6,239 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Details of directors' emoluments are as follows: (Continued)

For the year ended 31 March 2019

| | Fees HK\$'000 | Salaries and allowances HK\$'000 | Discretionary bonus HK\$'000 | Equity- settled share-based payments HK\$'000 | Retirement benefits scheme contributions HK\$'000 | Total HK\$'000 |
|--|------------------|--|------------------------------------|---|---|-------------------|
| Executive directors | | | | | | |
| Mr. Ip Kwok Kwong | – | 3,311 | – | – | 19 | 3,330 |
| Mr. Wu Di | – | 312 | – | – | – | 312 |
| Non-executive director | | | | | | |
| Ms. Yang Yan ¹ | – | – | – | – | – | – |
| Independent non-executive directors | | | | | | |
| Mr. Tang Wai Kee | 144 | – | – | – | 1 | 145 |
| Mr. So Kwok Yun | 144 | – | – | – | 1 | 145 |
| Mr. Cheung Ka Chun | 144 | – | – | – | 1 | 145 |
| | 432 | 3,623 | – | – | 22 | 4,077 |

Note:

- Ms. Yang Yan was appointed as non-executive director on 7 November 2017 and resigned on 1 August 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: one) director whose emoluments were disclosed above. The emoluments of the remaining three (2019: four) individuals during the year are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Basic salaries and allowances | 5,358 | 3,051 |
| Retirement benefits scheme contributions | 54 | 174 |
| | 5,412 | 3,225 |

The emoluments of the three (2019: four) individuals with highest emoluments are within the following bands:

| | Number of individuals | |
|--------------------------------|-----------------------|----------|
| | 2020 | 2019 |
| Nil to HK\$1,000,000 | – | 4 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | – |
| HK\$1,500,001 to HK\$2,000,000 | 2 | – |
| | 3 | 4 |

During both years ended 31 March 2019 and 2020, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management's emoluments

Senior management represents the executive directors. The emoluments paid or payable to senior management during the year have been set out in the analysis presented above.

(d) Directors' material interests in transactions, arrangements or contracts

Save for disclosed in note 45 to the consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. INCOME TAX CREDIT

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 64 | – |
| Over-provision in prior years | (20) | (2,440) |
| | 44 | (2,440) |
| Current tax – EIT in the PRC | | |
| Provision for the year | – | – |
| Over-provision in prior years | (1) | – |
| | (1) | – |
| Deferred taxation (note 37) | 43 | (2,440) |
| | (792) | – |
| | (749) | (2,440) |

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subjected to the tax rate of 16.5%.

Hong Kong Profits Tax has been provided at a rate 16.5% on the estimated assessable profits of the Group Hong Kong's subsidiaries for the year ended 31 March 2020. No provision for Hong Kong Profits Tax is required during the year ended 31 March 2019 as the Group's Hong Kong subsidiaries either did not have assessable profit or have sufficient tax losses bought forward to offset against taxable profits.

EIT in the PRC is provided at the rate of 25% (2019: 25%) applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

No provision for EIT is required as the Group's PRC subsidiaries did not have assessable profit for the years ended 31 March 2019 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. INCOME TAX CREDIT (Continued)

The reconciliation between the income tax credit and the loss before tax is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Loss before tax | (129,759) | (67,391) |
| Tax at the domestic income tax rate of 16.5% (2019: 16.5%) | (21,410) | (11,120) |
| Tax effect of share of results of associates and a joint venture | 168 | 8 |
| Tax effect of non-deductible expenses | 13,718 | 10,316 |
| Tax effect of non-taxable income | (4,103) | (530) |
| Tax effect of temporary differences not recognised | 1,426 | 38 |
| Tax effect of tax loss not recognised | 7,715 | 1,356 |
| Tax effect of tax losses utilised | – | (24) |
| Over-provision in prior years | (21) | (2,440) |
| Effect of different tax rates of subsidiaries | 1,758 | (44) |
| | (749) | (2,440) |

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages, subject to a cap of monthly relevant income of HK\$30,000 and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme are to meet the required contributions under the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. ASSETS CLASSIFIED AS HELD FOR SALE

On 18 March 2020, the Company announced the decision of its board of directors to dispose of 100% of the equity interests of IAM Group Inc.. IAM Group Inc. engages in the provision of services relating to the dealing in securities via a licensed corporation under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"). As at 31 March 2020, final negotiation for the transaction was in progress and IAM Group Inc. was classified as a disposal group held for sale.

The major classes of assets and liabilities of IAM Group Inc. at the end of the reporting period are presented below:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Assets classified as held for sale | 11,279 | – |
| Liabilities directly associated with assets classified as held for sale | 4,879 | – |

The Group is seeking to dispose of 100% of the equity interests of IAM Group Inc. and anticipates that the disposal will be completed by next twelve months. The Group is currently in negotiation with some potential buyers. The major classes of assets and liabilities of the securities broking activities at the end of the reporting period are as follows:

| | 2020 HK\$'000 |
|---|------------------|
| Property, plant and equipment | 4 |
| Intangible assets | 2,304 |
| Other deposits | 200 |
| Trade receivables | 1,631 |
| Prepayments, deposits and other receivables | 352 |
| Bank balances and cash | |
| – General accounts | 4,232 |
| – Trust accounts | 2,556 |
| Assets classified as held for sale | 11,279 |
| Trade payables | 3,579 |
| Accruals and other payables | 317 |
| Lease liabilities | 983 |
| Liabilities directly associated with assets classified as held for sale | 4,879 |
| Net assets classified as held for sale | 6,400 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

17. LOSS PER SHARE

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

| | 2020 | 2019 |
|--|------------------|----------|
| | HK\$'000 | HK\$'000 |
| Loss | | |
| Loss for the purpose of calculating basic/diluted loss per share | (126,468) | (64,178) |

| | 2020 | 2019 |
|--|----------------|---------|
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic/diluted loss per share | 582,956 | 582,956 |

The effect of the Company's outstanding share options as at 31 March 2020 and 2019 do not give rise to any dilution to loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvement HK\$'000 | Furniture and equipment HK\$'000 | Office equipment HK\$'000 | Motor vehicle HK\$'000 | Total HK\$'000 |
|--|--------------------------------------|--|---------------------------------|------------------------------|-------------------|
| Cost | | | | | |
| At 1 April 2018 | 1,934 | 1,887 | 2,957 | 1,137 | 7,915 |
| Additions | – | 8 | 74 | – | 82 |
| Exchange realignment | (6) | 48 | 19 | (24) | 37 |
| At 31 March 2019 and 1 April 2019 | 1,928 | 1,943 | 3,050 | 1,113 | 8,034 |
| Additions | 86 | – | 12 | – | 98 |
| Disposal | – | – | – | (675) | (675) |
| Exchange realignment | (37) | (24) | (61) | (34) | (156) |
| Reclassified as held for sale | (578) | (87) | (1,605) | – | (2,270) |
| At 31 March 2020 | 1,399 | 1,832 | 1,396 | 404 | 5,031 |
| Accumulated depreciation and impairment | | | | | |
| At 1 April 2018 | 1,489 | 1,414 | 2,678 | 600 | 6,181 |
| Charge for the year | 144 | 128 | 153 | 207 | 632 |
| Exchange realignment | (2) | (9) | (22) | (20) | (53) |
| At 31 March 2019 and 1 April 2019 | 1,631 | 1,533 | 2,809 | 787 | 6,760 |
| Charge for the year | 145 | 20 | 126 | 113 | 404 |
| Disposal | – | – | – | (461) | (461) |
| Impairment losses | – | 4 | 11 | – | 15 |
| Exchange realignment | (31) | (18) | (33) | (35) | (117) |
| Reclassified as held for sale | (578) | (86) | (1,602) | – | (2,266) |
| At 31 March 2020 | 1,167 | 1,453 | 1,311 | 404 | 4,335 |
| Carrying amount | | | | | |
| At 31 March 2020 | 232 | 379 | 85 | – | 696 |
| At 31 March 2019 | 297 | 410 | 241 | 326 | 1,274 |

At 31 March 2019, the carrying amount of a motor vehicle held by the Group under finance leases amounted to approximately HK\$326,000, and was pledged to bank to secure the finance leases granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment losses recognised in current year

During the year, the Group had appointed an independent professional valuer, Ravia Global Appraisal Advisory Limited ("Ravia"), to assess the recoverable amounts of the Group's CGU, in particular to those employed in the financial services segment operated under IAM Group Inc., and impairment losses of approximately HK\$15,000 (2019: Nil) was recognised.

The recoverable amount has been determined by market approach based on fair value less costs of disposal ("FVLCD"), key assumptions used in the FVLCD included the book value multiple of 0.92 (2019: 1.08), marketability discount of 16.11% (2019: 16.11%) and control premium of 30% (2019: 30%) (level 3 fair value measurements). Senior management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

19. RIGHT-OF-USE ASSETS

| | Leased Properties HK\$'000 |
|---|-------------------------------|
| At 31 March 2019 (note 3) | 16,444 |
| Impairment losses | (16,444) |
| <hr/> | |
| At 1 April 2019 (restated) and 31 March 2020 | – |
| <hr/> | |
| | 2020 HK\$'000 |
| Interest expense on lease liabilities (included in finance costs) | 635 |
| Expenses relating to short-term lease (included in administrative expenses) | 160 |

Details of total cash outflow for leases is set out in note 44.

Lease liabilities of approximately HK\$9,610,000 are recognised with related right-of-use assets as at 31 March 2020.

As at 1 April 2019, the Group recognised right-of-use assets of approximately HK\$16,444,000 upon initial application of HKFRS 16, of which approximately HK\$14,680,000 and HK\$1,764,000 were attributable to the CGUs of (i) assets advisory services and asset appraisal and corporate services and consultancy segments and (ii) IAM Group Inc. of financial services segment respectively. A full impairment losses of approximately HK\$16,444,000 was recognised on the right-of-use assets of the Group owing to the recoverable amounts of each of the right-of-use assets is lower than their carrying amounts as at 1 April 2019.

The recoverable amounts of the right-of-use assets under the abovementioned CGUs have been determined on the following basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. RIGHT-OF-USE ASSETS (Continued)

Assets advisory services and asset appraisal and corporate services and consultancy

The recoverable amount of these two CGUs as of 1 April 2019 was determined on the basis of their income approach using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the period. The Group estimated discount rate using pre-tax rate that reflect current market assessments of the time value of money and risk specific to these CGUs. The growth rate was based on long-term average economic growth rate of the geographical area in which the businesses of these CGUs operate. Budgeted gross margin and turnover were based on past practices and expectations on market development. The cash flow forecasts were derived from the financial budgets approved by the management for the next five years with the residual period using the growth rate of 3%. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from these two CGUs was 16%.

IAM Group Inc. of financial services segment

Details of the calculation of the recoverable amount of the CGU of IAM Group Inc. as of 1 April 2019 are set out in note 21 to the consolidated financial statements.

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

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 5 years. Certain leases of motor vehicle were accounted for as finance leases during the year ended 31 March 2019. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. INTANGIBLE ASSETS

| | HK\$'000 |
|---|-----------------|
| Cost | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 12,800 |
| Reclassified as held for sale | (12,800) |
| At 31 March 2020 | – |
| Accumulated amortisation and impairment losses | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | – |
| Impairment losses recognised | (10,496) |
| Reclassified as held for sale | 10,496 |
| At 31 March 2020 | – |
| Carrying amount | |
| At 31 March 2020 | – |
| At 31 March 2019 | 12,800 |

The trading rights are held by IAM Group Inc. being acquired by the Group during the year ended 31 March 2017. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights was considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life are determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired during the year.

The Group reviews the recoverable amount of the trading rights and tests the impairment annually. The recoverable amount of the trading rights has been allocated to the CGU of IAM Group Inc. and determined based on FVLCD. During the year ended 31 March 2020, an impairment losses of approximately HK\$10,496,000 (2019: Nil) was recognised due to the fact that the recoverable amount of the trading rights was lower than its carrying amount following the key assumptions used in the FVLCD had been revised by the senior management after the Group received an offer for IAM Group Inc. from a potential investor (please refer to Note 47(a) to the consolidated financial statements and the Company's announcement dated 18 March 2020).

Details of the key assumptions used in the calculation of the recoverable amount of the CGU of IAM Group Inc. as at 31 March 2020 are set out in note 21 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. GOODWILL

| | Media advertising activities (Note 1) HK\$'000 | Money lending activities (Note 2) HK\$'000 | Securities broking activities (Note 3) HK\$'000 | Total HK\$'000 |
|--|--|--|---|-------------------|
| Cost | | | | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 84,956 | 26,755 | 66,610 | 178,321 |
| Reclassified as held for sale | – | – | (66,610) | (66,610) |
| At 31 March 2020 | 84,956 | 26,755 | – | 111,711 |
| Impairment | | | | |
| At 1 April 2018 | (42,923) | – | (13,700) | (56,623) |
| Impairment during the year | (9,216) | – | (29,336) | (38,552) |
| At 31 March 2019 and 1 April 2019 | (52,139) | – | (43,036) | (95,175) |
| Impairment during the year | (16,376) | – | (23,574) | (39,950) |
| Reclassified as held for sale | – | – | 66,610 | 66,610 |
| | (68,515) | – | – | (68,515) |
| Carrying amount | | | | |
| At 31 March 2020 | 16,441 | 26,755 | – | 43,196 |
| At 31 March 2019 | 32,817 | 26,755 | 23,574 | 83,146 |

Notes:

- The Group acquired 80% equity interest over Golden Vault Limited and its subsidiaries in 2015 which principally engaged in the media advertising business in the PRC. The Group is required to annually test the amount of goodwill allocated to the segment of media advertising activities for impairment.

The recoverable amount of the CGU is determined on the basis of its income approach using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rate and budgeted gross margin and revenue during the period. The Group estimates discount rate using pre-tax rate of 29.29% (2019: 25.4%) that reflect current market assessments of the time value of money and risk specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development. The cash flow forecasts was derived from the most recent financial budgets approved by the management for the next three years with the residual period using the growth rate of 3% (2019: 3%). This rate does not exceed the average long-term growth rate for the relevant market. The rate used to discount the forecast cash flows from the Group's media advertising activities is 21% (2019: 20.0%). Since the year ended 31 March 2019, the Group's strategy over the segment of media advertising activities was to broaden its customer base and lessen its dependence on large customers from the previous client base and tighten cost control. The Group focused on finding new customers in growth categories, targeting medium sized as well as local customers and re-engaging selected traditional clients in the new client base. The Group realigned its sales team to improve planning and effectiveness in line with this strategy. However, the operating result didn't reach the optimal economy of scale and still failed to breakeven as planned and such adverse impact led to an impairment losses of approximately HK\$16,376,000 (2019: HK\$9,216,000) was recorded in consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. GOODWILL (Continued)

Notes: (Continued)

1. (Continued)

Key assumptions used in the calculation are as follows:

| | 2020 | 2019 |
|------------------------------------|---------|---------|
| Gross profit margin (% of revenue) | 60% | 74% |
| Net profit margin (% of revenue) | 31%-34% | 25%-45% |
| Recoverable amount (HK\$'000) | 16,441 | 32,817 |
| Short fall of goodwill (HK\$'000) | 16,376 | 9,216 |

Assumptions were used in the value-in-use calculation of the cash-generating unit as at 31 March 2020 and 2019. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

Gross profit margin – The basis used to determine the value assigned to the budgeted gross profit margin is the average gross profit margin expected to achieve since the year when media advertising activities are provided.

Net profit margin – The basis used to determine the value assigned to the budgeted net profit margin is the average net profit margin expected to achieve since the year when media advertising activities are provided.

The management assumed lower gross profit margin and average net profit margin when comparing to the projection of last year in view of economic slowdown in PRC induced by outbreak of COVID-19 and potential reduction of service fees to retain the existing customers and attract new customers.

2. During the year, the Group had appointed an independent professional valuer, Ravia, to assess the recoverable amounts of the Group's goodwill allocated to money lending activities segment, and no impairment loss (2019: Nil) was recognised. The recoverable amount of the CGU of money lending activities is determined on the basis of its income approach using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using pre-tax rate of 18.75% (2019: 15.16%) that reflect current market assessments of the time value of money and risk specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The cash flow forecasts were derived from the most recent financial budgets approved by the management for the next five years with the residual period using the growth rate of 3% (2019: 3%). This rate does not exceed the average long-term growth rate for the relevant market. The rate used to discount the forecast cash flows from the Group's money lending activities is 16% (2019 13%).

Key assumptions used in the calculation are as follows:

| | 2020 | 2019 |
|----------------------------------|--------|--------|
| Net profit margin (% of revenue) | 25% | 24% |
| Recoverable amount (HK\$'000) | 29,900 | 32,000 |
| Headroom of goodwill (HK\$'000) | 3,145 | 5,245 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. GOODWILL (Continued)

Notes: (Continued)

2. (Continued)

Assumptions were used in the value-in-use calculation of the cash-generating unit as at 31 March 2020 and 2019. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

Net profit margin – The basis used to determine the value assigned to the budgeted net profit margin is the average net profit margin expected to achieve since the year when money lending activities are provided.

3. The Group reviews the recoverable amount of the goodwill allocated to securities broking activities operated under IAM Group Inc. and tests the impairment annually. The recoverable amount of the goodwill has been determined based on FVLCD. During the year ended 31 March 2020, an impairment losses of approximately HK\$23,574,000 (2019: HK\$29,336,000) was recognised due to the fact that the recoverable amount of the goodwill was lower than its carrying amount following the key assumptions used in the FVLCD had been revised by the senior management after the Group received an offer for IAM Group Inc. from a potential investor (please refer to Note 47(a) to the consolidated financial statements and the Company's announcement dated 18 March 2020). The recoverable amount of the CGU has been determined based on FVLCD. In determining the FVLCD of the CGU, management has adopted the market approach (level 3 fair value measurements), which have adopted book value multiple in the valuation in 2019. Several companies with business scopes and operations similar to those of IAM Group Inc. were adopted as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- the comparable companies selected are principally engaged in provision of securities broking activities in Hong Kong;
- the companies have sufficient listing and operating histories; and
- the financial information of the companies is available to the public.

| | 2020 | 2019 |
|-----------------------------------|--------|--------|
| Book value multiple | 0.92 | 1.08 |
| Discount of lack of marketability | 16% | 16% |
| Control premium | 30% | 30% |
| Recoverable amount (HK\$'000) | 6,400 | 24,303 |
| Impairment (HK\$'000) | 23,574 | 29,336 |

The CGU reclassified as held for sale during the year (note 15).

As at 31 March 2020, the recoverable amount of the above CGUs have been arrived at based on a valuation carried out by Ravia (2019: Access Partner Consultancy and Appraisals Limited), an independent qualified professional valuer.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. DEPOSITS PLACED FOR LIFE INSURANCE POLICIES

| | 2020 | 2019 |
|---|----------|----------|
| | HK\$'000 | HK\$'000 |
| Deposits placed for life insurance policies | 2,755 | 2,665 |

In June 2017, an indirectly owned subsidiary of the Company (the "Subsidiary") entered into a United States Dollars denominated life insurance policy (the "Policy") with an insurance company to insure its chief operating officer. Under the Policy, the beneficiary and policy holder are the Subsidiary and the total insured sum is US\$1,288,342 (approximately HK\$10,112,000). At inception of the Policy, the Subsidiary was required to pay an upfront deposit of US\$400,000 (approximately HK\$3,125,000) including a premium charge amounted to US\$24,000 (approximately HK\$188,000). The Subsidiary can terminate the Policy at any time and receive cash refund based on the cash value of the Policy at the date of withdrawal, which is determined by the upfront payment of US\$400,000 plus accumulated interest earned and minus the premium charge at inception, and the accumulated insurance and policy expense charge ("Cash Value"). The insurance company paid the Subsidiary an interest of 3.55% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the second year, the interest will be a variable return with minimum guaranteed interest rate of 2% per annum by the insurance company on an annual basis.

At the end of the reporting period, the carrying amount of deposit placed for a life insurance policies which has been pledged as security for the bank borrowing, is approximately HK\$2,755,000 (2019: HK\$2,665,000).

23. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

| | 2020 | 2019 |
|--|----------|----------|
| | HK\$'000 | HK\$'000 |
| Investments in associates (note a) | | |
| Unlisted investments | – | – |
| Investment in a joint venture (note b) | | |
| Unlisted investments | – | 1,021 |
| At 31 March | – | 1,021 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Investments in associates

Details of the Group's associates at 31 March 2020 and 2019 are as follows:

| Name | Place of Establishment | Registered and paid up capital | Percentage of ownership/ voting power/ profit sharing | | Principal activities |
|---------------------------------------|------------------------|--------------------------------|---|------|----------------------|
| | | | 2020 | 2019 | |
| 北京漢華信誠資產顧問有限公司 (Note 1) | The PRC | US\$60,000 | 50% | 50% | Inactive |
| Greater China London Limited (Note 2) | United Kingdom | GBP112,500 | – | 20% | Inactive |

Notes:

1. The business license has been suspended since 18 July 2008.
2. It has been dissolved.

(b) Investment in a joint venture

Details of the Group's joint venture at 31 March 2020 and 2019 are as follows:

| Name | Place of incorporation/ registration | Issued and paid-up capital | Percentage of ownership/ interest/voting power/ profit sharing | | Principal activities |
|---|--------------------------------------|----------------------------|--|------|--|
| | | | 2020 | 2019 | |
| Greenco ESG Advisory Limited (formerly known as Greater China ESG Advisory Limited) | Hong Kong | HK\$2 | – | 50% | Provision of environmental, social and governance consulting service |

The following tables show information of a joint venture that is material to the Group. This joint venture is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Investment in a joint venture (Continued)

| Name | Greenco ESG Advisory Limited (formerly known as Greater China ESG Advisory Limited) |
|--|---|
| Principal place of business/country of Incorporation | Hong Kong/Hong Kong |
| Principal activities | Provision of environmental, social and governance consulting service |
| | 2019 |
| % of ownership interests | 50% HK\$'000 |
| At 31 March: | |
| Current assets | 3,152 |
| Current liabilities | (1,110) |
| Net assets | 2,042 |
| Group's share of net assets and carrying amount of interests | 1,021 |
| Year ended 31 March | |
| Revenue | 3,440 |
| Profit and total comprehensive income for the year | 96 |

In the prior year, the Group held a 50% interest in Greenco ESG Advisory Limited (formerly known as Greater China ESG Advisory Limited) and accounted for the investment in a joint venture. In September 2019, the Group disposed of a 50% interest in Greenco ESG Advisory Limited to a third party at consideration of HK\$250,000. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

| | HK\$'000 |
|--|----------|
| Proceeds from disposal | 250 |
| Add: Dividend received | 1,095 |
| Less: Carrying amount of 50% investment on the date of loss of significant influence | (1,255) |
| Gain on disposal of a joint venture | 90 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. LOAN RECEIVABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------|------------------|------------------|
| Loan receivables | 161,183 | 187,856 |
| Impairment losses recognised | (8,295) | (5,710) |
| | 152,888 | 182,146 |
| Less: current portion | (100,291) | (128,328) |
| Non-current portion | 52,597 | 53,818 |

The Group's loan receivables arose from the money lending activities.

As at 31 March 2020, loan receivables are denominated in Hong Kong dollar ("HK\$") and carried at fixed effective interest rate ranging from 6% to 18% (2019: 4.5% to 18%) per annum and with the terms ranging from 90 days to 3 years (2019: 90 days to 3 years).

As at the end of the reporting period, the aging analysis of loan receivables (net of impairment losses), based on loans draw down date, is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-----------------|------------------|------------------|
| 1 to 30 days | 24,056 | – |
| 31 to 90 days | 14,871 | 6,549 |
| 91 to 180 days | 3,535 | 8,838 |
| 181 to 365 days | 44,434 | 3,800 |
| Over 365 days | 65,992 | 162,959 |
| | 152,888 | 182,146 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. LOAN RECEIVABLES (Continued)

The movements in impairment losses on loan receivables are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|------------------|------------------|
| At April 1 | 5,710 | 3,800 |
| Amounts written off during the year | (24,469) | – |
| Impairment losses recognised | 27,054 | 1,910 |
| At March 31 | 8,295 | 5,710 |

The Group applies the simplified approach under HKFRS 9 to provide for ECL using the lifetime expected loss provision for all loan receivables. To measure the ECL, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information and value of collateral.

| | Current | Up to 3 months past due | 3 to 6 months past due | 6 to 12 months past due | Over 12 months past due | Total |
|------------------------------|---------|-------------------------------|------------------------------|-------------------------------|-------------------------------|---------|
| At 31 March 2020 | | | | | | |
| Weighted average expected | | | | | | |
| loss rate | 2% | – | – | – | 90% | |
| Receivable amount (HK\$'000) | 156,172 | – | – | – | 5,011 | 161,183 |
| Loss allowance (HK\$'000) | (3,798) | – | – | – | (4,497) | (8,295) |
| At 31 March 2019 | | | | | | |
| Weighted average expected | | | | | | |
| loss rate | 2% | 3% | – | – | 5% | |
| Receivable amount (HK\$'000) | 93,716 | 15,723 | – | – | 78,417 | 187,856 |
| Loss allowance (HK\$'000) | (1,504) | (406) | – | – | (3,800) | (5,710) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. TRADE RECEIVABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------|------------------|------------------|
| Trade receivables | 8,195 | 56,823 |
| Allowance for doubtful debts | (624) | (45,908) |
| | 7,571 | 10,915 |

The Group's trading terms with customers are mainly on credit. The credit terms generally at 14 days (2019: range from 14 to 365 days). Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---------------|------------------|------------------|
| 0-30 days | 3,936 | 4,873 |
| 31-90 days | 1,191 | 2,914 |
| 91-180 days | 1,822 | 999 |
| 181-365 days | 490 | 1,072 |
| Over 365 days | 132 | 1,057 |
| | 7,571 | 10,915 |

The aging analysis of the past due trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|----------------------------|------------------|------------------|
| Less than 60 days past due | 2,989 | 1,072 |
| Over 60 days past due | 1,071 | 1,057 |
| | 4,060 | 2,129 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. TRADE RECEIVABLES (Continued)

The movements in impairment losses on trade receivables are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|------------------|------------------|
| At 1 April | 45,908 | 44,611 |
| Amounts written off during the year | (46,096) | – |
| Impairment losses recognised | 812 | 1,297 |
| At 31 March | 624 | 45,908 |

The Group applies the simplified approach under HKFRS 9 to provide for ECL using the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information.

| | Current | Up to 3 months past due | 3 to 6 months past due | 6 to 12 months past due | Over 12 months past due | Total |
|--|---------|-------------------------------|------------------------------|-------------------------------|-------------------------------|-------|
| At 31 March 2020 | | | | | | |
| Weighted average expected loss rate | 3% | 4% | 14% | 28% | 54% | |
| Receivable amount (HK\$'000) | 2,931 | 3,790 | 579 | 607 | 288 | 8,195 |
| Loss allowance (HK\$'000) | (78) | (142) | (78) | (171) | (155) | (624) |

At 31 March 2019

| | | | | | | |
|--|-------|-------|-------|-------|----------|----------|
| Weighted average expected loss rate | 2% | 5% | 12% | 32% | 98% | |
| Receivable amount (HK\$'000) | 4,963 | 3,071 | 1,133 | 1,569 | 46,087 | 56,823 |
| Loss allowance (HK\$'000) | (90) | (157) | (134) | (497) | (45,030) | (45,908) |

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| Prepayments | 1,693 | 2,144 |
| Deposits | 2,286 | 4,318 |
| Other receivables, net of impairment (Note) | 12,493 | 23,330 |
| | 16,472 | 29,792 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Note:

The movements in impairment losses on other receivables are as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------------------------|------------------|------------------|
| As 1 April | - | - |
| Amounts written off during the year | (4,373) | - |
| Impairment losses recognised | 4,373 | - |
| At 31 March | - | - |

27. FINANCIAL ASSETS AT FVTPL

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------------------|------------------|
| Equity securities listed in Hong Kong, at fair value | 12,101 | 45,949 |

At 31 March 2020, the fair value of the listed equity securities, amounting to approximately HK\$12,101,000 (2019: HK\$45,949,000), was determined based on the quoted market bid prices (level 1 measurement) of the corresponding listed equity securities.

28. BANK BALANCES AND CASH/CASH HELD ON BEHALF OF CLIENTS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------|------------------|------------------|
| Cash on hand | 108 | 15 |
| Cash at bank | | |
| – General accounts | 3,409 | 3,616 |
| | 3,517 | 3,631 |

At 31 March 2020, the bank balances and cash of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$397,000 (2019: HK\$338,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The Company maintains segregated trust accounts with licensed banks to held clients' monies in accordance with the relevant legislation. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets section of the consolidated of financial position and recognised the corresponding accounts payable to the respective clients on the grounds that the Group is liable for any loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. TRADE PAYABLES

The aging analysis of trade payables, based on invoice date is as follows:

| | 2020 | 2019 |
|---------------|--------------|----------|
| | HK\$'000 | HK\$'000 |
| 0-90 days | 5,266 | 10,200 |
| 91-180 days | 39 | – |
| 181-365 days | 64 | – |
| Over 365 days | 81 | – |
| | 5,450 | 10,200 |

30. ACCRUALS AND OTHER PAYABLES

| | 2020 | 2019 |
|----------------|---------------|----------|
| | HK\$'000 | HK\$'000 |
| Accruals | 26,567 | 24,379 |
| Other payables | 10,682 | 11,096 |
| | 37,249 | 35,475 |

31. AMOUNTS DUE TO A RELATED PARTY/A DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

32. CONTRACT LIABILITIES

| | 2020 | 2019 |
|---|----------|----------|
| | HK\$'000 | HK\$'000 |
| Billings in advance of performance obligation | | |
| – Appraisal activities | 2,076 | 2,015 |

Contract liabilities represent balances due to customers under appraisal contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. CONTRACT LIABILITIES (Continued)

The movements in contract liabilities are as follows:

| | HK\$'000 |
|---|--------------|
| Balance at 31 March 2018 | – |
| Effect on initial application of HKFRS 15 | 2,712 |
| Balance at 1 April 2018 | 2,712 |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities | (5,907) |
| Increase in contract liabilities as a result of billing in advance of appraisal activities | 5,210 |
| Balance at 31 March 2019 and 1 April 2019 | 2,015 |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities | (416) |
| Increase in contract liabilities as a result of billing in advance of appraisal activities | 477 |
| Balance at 31 March 2020 | 2,076 |

33. BANK AND OTHER BORROWINGS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------------|------------------|------------------|
| Bank loan | 1,412 | 1,723 |
| Bank overdrafts – on demand | 3,286 | 2,683 |
| Other loan repayable within 1 year | 4,000 | 6,000 |
| | 8,698 | 10,406 |

At the end of reporting period, the bank loan of the Group is denominated in HK\$ and contain a repayment on demand clause which repayable within 5 years.

The carrying amount of the Group's bank loan was denominated in HK\$ and the fixed interest rate at 31 March 2020 was 2.5% per annum (2019: average fixed interest rate was 2.5% per annum and denominated in HK\$), and the carrying amount of the Group's bank overdrafts was denominated in HK\$ and the variable interest rate at 31 March 2020 was 4.5% per annum (2019: variable interest rate was 4.6% per annum and denominated in HK\$) which were pledged by the deposits placed for life insurance policies at 31 March 2020.

During the year ended 31 March 2020, the Group has obtained other loans which were denominated in HK\$, bear interest at 12% and 36% per annum and secured by personal guarantee of a director, Mr. Ip Kwok Kwong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES)

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|----------|---|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Within one year | 7,065 | 134 | 6,807 | 127 |
| In the second to fifth years, inclusive | 1,835 | 191 | 1,820 | 186 |
| After five years | – | – | – | – |
| Total minimum finance lease payments | 8,900 | 325 | 8,627 | 313 |
| Less: Future finance charges | (273) | (12) | N/A | N/A |
| Present value of lease obligations | 8,627 | 313 | 8,627 | 313 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (6,807) | (127) |
| Amount due for settlement after 12 months | | | 1,820 | 186 |

All finance lease payables are denominated in HK\$.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

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For the year ended 31 March 2020

35. PROMISSORY NOTES

| | Promissory notes 1 (Note 1) HK\$'000 | Promissory notes 2 (Note 2) HK\$'000 | Total HK\$'000 |
|-------------------------------------|---|---|-------------------|
| At 1 April 2018 | 20,000 | 34,000 | 54,000 |
| Interest on promissory notes | 600 | 1,020 | 1,620 |
| At 31 March 2019 and 1 April 2019 | 20,600 | 35,020 | 55,620 |
| Interest on promissory notes | 600 | 1,020 | 1,620 |
| At 31 March 2020 | 21,200 | 36,040 | 57,240 |
| Analysed as: | | | |
| Non-current liabilities | 21,200 | 36,040 | 57,240 |

Notes:

- On 13 November 2014, the Company issued a series of promissory notes with total principal amounts of HK\$110,000,000 to an independent third party (the "Vendor") as part of the consideration for an acquisition (the "Acquisition") of 80% equity interest in Golden Vault Limited by the Group. The promissory notes were interest-bearing at 3% per annum. The maturity date is the day falling on the tenth business day from the date of receipt by the Group of the 2016 Auditors' certificate.

Pursuant to the terms of the Acquisition, the Vendor have irrevocably and unconditionally warranted and guaranteed to the subsidiary of the Company the profits after taxation of Golden Vault Limited calculated in accordance with HKFRSs for the years ending 31 December 2015 and 2016 will not be less than RMB6,000,000 (the "2015 Guaranteed Profit") and RMB6,200,000 (the "2016 Guaranteed Profit"). In the event the 2015 Guaranteed Profit or 2016 Guaranteed Profit is not fulfilled, the Vendor shall compensate the Group an amount calculated according to the agreement by way of setting off against the outstanding amount of the promissory note or in cash.

Based on the valuation carried out by a firm of independent qualified professional valuers, the fair value of the promissory notes at the date of issue was approximately HK\$92,388,000. The effective interest rate of the promissory notes were 10.96% per annum.

On 23 October 2015, an aggregate principal amount of HK\$90,000,000 with accrued interest thereon were early redeemed by the Company, and settled by the net proceeds from the placing and the subscription of the Company's shares. A loss on early redemption of the promissory note of approximately HK\$9,026,000 was recognised in the consolidated profit or loss.

On 26 March 2018, the Company renewed the promissory notes with the promissory notes holder. The promissory notes are interest-bearing at 3% per annum. The maturity date is the date falling three years from 26 March 2018.

On 31 March 2020, the Company renewed the Promissory note 1 with the Promissory note 1 holder. The promissory notes are interest-bearing at 3% per annum. The maturity date is the date falling three months from 26 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. PROMISSORY NOTES (Continued)

Notes: (Continued)

2. On 22 October 2015, the Company issued promissory notes (the "Promissory notes 2") in an aggregate principal amount of HK\$34,000,000 for the acquisition of additional 19% of the entire issued share capital of Boxin from an independent third party. The Promissory notes 2 were interest-bearing at 3% per annum.

Based on the valuation carried out by a firm of independent qualified professional valuers, the fair value of the promissory note at the date of issue was approximately HK\$29,209,000. The effective interest rate of the promissory note was 10.60% per annum. The Promissory notes 2 were extended for three years on 3 November 2017 (the original due date of the Promissory note 2) to 3 November 2020.

On 31 March 2020, the Company renewed the Promissory note 2 with the promissory notes holder. The Promissory note 2 are interest-bearing at 3% per annum. The maturity date is the date falling 6 months from 3 November 2020.

36. DEFERRED TAXATION

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets | – | 1,320 |
| Deferred tax liabilities | – | (2,112) |
| | – | (792) |

The deferred tax liabilities is related to trading rights acquired for the year ended 31 March 2017.

| | Trading rights HK\$'000 | Tax losses HK\$'000 | Total HK\$'000 |
|---|----------------------------|------------------------|-------------------|
| At 1 April 2018, 31 March 2019 and 1 April 2019 | (2,112) | 1,320 | (792) |
| Credit to profit or loss for the year | 2,112 | (1,320) | 792 |
| At 31 March 2020 | – | – | – |

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For the year ended 31 March 2020

36. DEFERRED TAXATION (Continued)

At 31 March 2020, the Group has unused tax losses of approximately HK\$147,393,000 (2019: HK\$100,631,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$5,078,000 (2019: HK\$3,906,000) that will expire as follows:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-----------|------------------|------------------|
| Year 2020 | – | 65 |
| Year 2021 | 475 | 475 |
| Year 2022 | 1,364 | 1,364 |
| Year 2023 | 1,123 | 1,123 |
| Year 2024 | 879 | 879 |
| Year 2025 | 1,237 | – |
| | 5,078 | 3,906 |

Other tax losses may be carried forward indefinitely.

Temporary differences arising in connection with interests in subsidiaries, associates and a joint venture are insignificant.

37. SHARE CAPITAL

| | Number of ordinary shares '000 | | HK\$'000 |
|--|-----------------------------------|-------------------------|----------------|
| | at HK\$0.01 per share | at HK\$0.1 per share | |
| Authorised | | | |
| As at 1 April 2018 | 10,000,000 | – | 100,000 |
| Effects of share consolidation (note a) | (10,000,000) | 10,000,000 | – |
| At 31 March 2019, 1 April 2019 and 31 March 2020 | – | 10,000,000 | 100,000 |
| Issued | | | |
| At 1 April 2018 | 5,829,559 | – | 58,296 |
| Effects of share consolidation (note a) | (5,829,559) | 582,956 | – |
| As at 31 March 2019, 1 April 2019 and 31 March 2020 | – | 582,956 | 58,296 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. SHARE CAPITAL (Continued)

Note:

- (a) Pursuant to ordinary resolution passed by shareholders at extraordinary meeting of the Company on 14 January 2019, the Company effected the consolidation of the issued and unissued ordinary shares of the Company on the basis that every 10 ordinary shares of HK\$0.01 each will be consolidated into one ordinary share of HK\$0.1 each.

Details of the consolidation of ordinary shares are set out in the Company announcements date 14 December 2018, 20 December 2018 and 14 January 2019.

The Group manages its capital to maintain an optimal capital structure so as to maximise the return to its shareholders, to protect the interests of its shareholders, safeguard the Group's ability to continue as a going concern and to be able to serve its debts when they are due. In order to maintain and/or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, obtain various forms of debt/equity financing available in the market at an appropriate cost when necessary.

Management reviews the capital structure on a quarterly basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged during the year ended 31 March 2020.

The only externally imposed capital requirement of the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares.

38. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium account

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Capital reserve

The capital reserve of the Group represents (i) the original investment costs in the Greater China Appraisal Limited and GCA Holdings Limited incurred by the Group, (ii) the non-controlling interests in the retained profits of Greater China Appraisal Limited and GCA Holdings Limited acquired by GCA Professional Services Group Limited upon a group reorganisation in 2010, and (iii) the difference of the cost of 999 ordinary shares issued in exchange for the entire shareholdings of Fidelia Investments Limited and New Valiant Limited and the nominal value of issued and paid up shares of the subsidiaries existed immediately before the Group Reorganisation.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(iv) Share options reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and other eligible participants of the Group recognised in accordance with the accounting policy adopted for equity settled share-based payments in note 4(t) to the consolidated financial statements.

39. BANKING FACILITIES

At 31 March 2020, the Group had obtained banking facilities in respect of bank loan and overdrafts of approximately HK\$2,248,000 and HK\$3,500,000 (2019: HK\$2,248,000 and HK\$3,500,000 respectively) respectively, which were secured by deposits placed for life insurance policies as disclosed in note 22 to the consolidated financial statements.

At 31 March 2020, the Group had banking facilities in respect of corporate credit card of approximately HK\$500,000 (2019: HK\$500,000).

40. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time employees, officers, directors of the Company and the Company's subsidiaries. The Scheme was adopted by a resolution of the Company on 18 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years commencing from the adoption date as defined in the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The maximum number of shares in respect of which options may be granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of shares as equals 10% of the issued share capital of the Company at the date of approval of the Scheme. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting. Unless approved by the Company's shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue.

Each grant of options to any of the directors, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by shareholders of the Company.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by each grantee. An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Details of the specific categories of options are as follows:

Share option lot A

| Grantee | Date of grant | Exercisable period | Exercise price | Number of share options outstanding |
|-----------|----------------|-------------------------------------|----------------|-------------------------------------|
| Option B1 | 6 January 2012 | From 30 January 2012 to 17 May 2021 | HK\$1.626 | 8,610 |
| Option B2 | 6 January 2012 | From 1 January 2013 to 17 May 2021 | HK\$1.626 | 8,610 |
| Option B3 | 6 January 2012 | From 1 January 2014 to 17 May 2021 | HK\$1.626 | 8,610 |
| Option F | 6 January 2012 | From 1 July 2012 to 17 May 2021 | HK\$1.626 | – |
| Option H | 6 January 2012 | From 30 January 2012 to 17 May 2021 | HK\$1.626 | 7,380 |
| Option J1 | 6 January 2012 | From 1 July 2013 to 17 May 2021 | HK\$1.626 | 18,450 |
| Option J2 | 6 January 2012 | From 1 January 2014 to 17 May 2021 | HK\$1.626 | 18,450 |
| Option J3 | 6 January 2012 | From 1 January 2015 to 17 May 2021 | HK\$1.626 | 18,450 |
| | | | | 88,560 |

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

| | 2020 | | 2019 | |
|--|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
| | Number of share options | Weighted average exercise price HK\$ | Number of share options | Weighted average exercise price HK\$ |
| Outstanding at the beginning of the year | 95,940 | 1.626 | 1,131,600 | 0.1626 |
| Lapse during the year | (7,380) | 1.626 | (172,200) | 0.1626 |
| Adjustment on share consolidation (note 37(a)) | – | – | (863,460) | 1.626 |
| Outstanding at the end of the year | 88,560 | 1.626 | 95,940 | 1.626 |
| Exercisable options at the end of the year | 88,560 | 1.626 | 95,940 | 1.626 |

The options of share option lot A outstanding at 31 March 2019 were adjusted from HK\$0.1626 per ordinary share to HK\$1.626 per ordinary share with effect from 15 January 2019 as a result of the share consolidation as set out in note 37(a) to the consolidated financial statements, and have a weighted average remaining contractual life of 1.13 years (2019: 2.13 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Share option lot B

| Grantee | Date of grant | Exercisable period | Exercise price | Number of share options outstanding |
|-----------------------------|---------------|-------------------------------------|----------------|-------------------------------------|
| Directors | 18 April 2019 | From 18 April 2019 to 17 April 2022 | HK\$0.279 | 11,659,000 |
| Employees | 18 April 2019 | From 18 April 2019 to 17 April 2022 | HK\$0.279 | 23,318,000 |
| Other eligible participants | 18 April 2019 | From 18 April 2019 to 17 April 2022 | HK\$0.279 | 23,318,000 |
| | | | | 58,295,000 |

The fair value of the share options of Share option lot B granted under the Share Option Scheme and such fair value was approximately HK\$9,034,000.00.

The fair value of share options of Share option lot B is determined at the date of grant using Binomial Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

Directors:

| | |
|--------------------------------------|-----------|
| Closing share price at date of grant | HK\$0.270 |
| Exercise price | HK\$0.279 |
| Volatility | 179% |
| Expected dividend yield | 0% |
| Expected exercise multiple | 2.8 |
| Risk free rate | 1.487% |

Employees and other eligible participants:

| | |
|--------------------------------------|-----------|
| Closing share price at date of grant | HK\$0.270 |
| Exercise price | HK\$0.279 |
| Volatility | 179% |
| Expected dividend yield | 0% |
| Expected exercise multiple | 2.2 |
| Risk free rate | 1.487% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Share option lot C

| Grantee | Date of grant | Exercisable period | Exercise price | Number of share options outstanding |
|-----------------------------|------------------|--|----------------|-------------------------------------|
| Other eligible participants | 10 November 2017 | From 10 November 2017 to 9 November 2020 | HK\$0.726 | 38,860,000 |

| | 2020 | Weighted average exercise price HK\$ | 2019 | Weighted average exercise price HK\$ |
|--|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
| | Number of share options | | Number of share options | |
| Outstanding at the beginning of the year | 48,575,000 | 0.726 | 485,750,000 | 0.0726 |
| Lapse during the year | (9,715,000) | 0.726 | – | – |
| Adjustment on share consolidation (note 37(a)) | – | – | (437,175,000) | 0.726 |
| Outstanding at the end of the year | 38,860,000 | 0.726 | 48,575,000 | 0.726 |
| Exercisable option at the end of the year | 38,860,000 | 0.726 | 48,575,000 | 0.726 |

Share option lot D

| Grantee | Date of grant | Exercisable period | Exercise price | Number of share options outstanding |
|-------------------------------------|---------------|-------------------------------------|----------------|-------------------------------------|
| Independent non-executive Directors | 31 March 2020 | From 31 March 2020 to 30 March 2023 | HK\$0.114 | 17,488,500 |
| Employees | 31 March 2020 | From 31 March 2020 to 30 March 2023 | HK\$0.114 | 40,806,500 |
| | | | | 58,295,000 |

The fair value of the share options of Share option lot D granted under the Share Option Scheme and such fair value was approximately HK\$4,021,000.00.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Share option lot D (Continued)

The fair value of share options of Share option lot D is determined at the date of grant using Binomial Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

Independent non-executive Directors:

| | |
|--------------------------------------|-----------|
| Closing share price at date of grant | HK\$0.114 |
| Exercise price | HK\$0.114 |
| Volatility | 183.931% |
| Expected dividend yield | 0% |
| Expected exercise multiple | 2.8 |
| Risk free rate | 0.618% |

Employees:

| | |
|--------------------------------------|-----------|
| Closing share price at date of grant | HK\$0.114 |
| Exercise price | HK\$0.114 |
| Volatility | 183.931% |
| Expected dividend yield | 0% |
| Expected exercise multiple | 2.2 |
| Risk free rate | 0.618% |

41. LEASE COMMITMENTS

As at 31 March 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of offices rent as follows:

| | 2019 HK\$'000 |
|--|------------------|
| Within one year | 7,736 |
| In the second to fifth years inclusive | 9,871 |
| | 17,607 |

Operating lease payments represent rentals payable by the Group for certain of its offices rent. Leases are negotiated for terms of three years in 2019 and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term lease for office premises. As at 31 March 2020, the portfolio of short-term lease is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 19.

In addition to the portfolio of short-term lease for office premises which are regularly entered into by the Group during the year ended 31 March 2020, the Group entered into a short-term lease for office premises. As at 31 March 2020, the outstanding lease commitments related to this office premises is approximately HK\$27,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. LEASE COMMITMENTS (Continued)

As at 31 March 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of office rent as follows:

| | 2019 HK\$'000 |
|--|------------------|
| Within one year | 360 |
| In the second to fifth years inclusive | 450 |
| | 810 |

42. CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any significant capital commitments (2019: Nil).

43. CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (2019: Nil).

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

| | Bank and other borrowings HK\$'000 | Finance Leases payables HK\$'000 | Promissory notes HK\$'000 | Lease liabilities HK\$'000 | Total liabilities from financing activities HK\$'000 |
|---|---|---|---------------------------------|----------------------------------|---|
| At 1 April 2019 | 10,406 | 313 | 55,620 | – | 66,339 |
| Impact on initial application of HKFRS 16 (note 3) | – | (313) | – | 16,894 | 16,581 |
| Restated balance at 1 April 2019 | 10,406 | – | 55,620 | 16,894 | 82,920 |
| Changes in cash flows | (2,311) | – | – | (6,649) | (8,960) |
| Interest expenses | – | – | – | (635) | (635) |
| Cash inflow by addition of bank overdrafts | 603 | – | – | – | 603 |
| Non-cash changes | | | | | |
| – Interest on promissory notes | – | – | 1,620 | – | 1,620 |
| At 31 March 2020 | 8,698 | – | 57,240 | 9,610 | 75,548 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

| | Bank and other borrowings HK\$'000 | Finance Leases payables HK\$'000 | Promissory notes HK\$'000 | Total liabilities from financing activities HK\$'000 |
|--|---|--|------------------------------|---|
| At 1 April 2018 | 3,729 | 435 | 54,000 | 58,164 |
| Changes in cash flows | 5,698 | (122) | – | 5,576 |
| Cash inflow by addition of bank overdrafts | 979 | – | – | 979 |
| Non-cash changes | | | | |
| – Interest on promissory notes | – | – | 1,620 | 1,620 |
| At 31 March 2019 | 10,406 | 313 | 55,620 | 66,339 |

Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-----------------------------|------------------|------------------|
| Within operating cash flows | 635 | 7,528 |
| Within financing cash flows | 7,284 | 122 |
| | 7,919 | 7,650 |

These amounts relate to the following:

| | 2020 HK\$'000 | 2019 HK\$'000 |
|-------------------|------------------|------------------|
| Lease rental paid | 7,919 | 7,650 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

45. RELATED PARTY TRANSACTIONS

(a) Related party transaction

In addition to those related party transactions and balances disclosed elsewhere to the consolidated financial statements, the Group had the following transactions with its related parties during the year:

| Corporate services and consultancy income from related companies | Name of directors and related parties having beneficial interest in the transaction | 2020 | 2019 |
|---|---|----------|----------|
| | | HK\$'000 | HK\$'000 |
| – Greater China Capital Limited (“GCCL”) | Mr. Ip Kwok Kwong | 396 | 396 |
| – Greenco ESG Advisory Limited (formerly known as Greater China ESG Advisory Limited) | Mr. Ip Kwok Kwong | – | 117 |

Note: Mr. Ip Kwok Kwong, a director of the Company is a director of GCCL.

(b) Personal guarantee

Save for disclosed in note 33 to the consolidated financial statements, the Group’s other loan was secured by the personal guarantee of Mr. Ip Kwok Kwong, a director of the Company.

(c) Key management compensation

Key management mainly represents the Company’s directors. Their remunerations have been disclosed in note 12 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Particulars of the subsidiaries as at 31 March 2020 were as follows:

| Name | Place of incorporation/ principal place of operation | Particular of paid-up capital/ registered capital | Percentage of ownership held by the Company | | Principal activities |
|--|--|---|--|----------|--|
| | | | Direct | Indirect | |
| Zhong Nan Investment Limited | BVI/ Hong Kong | US\$1 | 100% | – | Investment holding |
| Greater China Appraisal Limited | Hong Kong | HK\$1,600,000 | – | 80.1% | Provision of asset appraisal services |
| Greater China Consultants Limited | BVI/ Hong Kong | US\$1 | – | 100% | Provision of corporate and consultancy services |
| Greater China Corporate Consultancy & Services Limited | Hong Kong | HK\$2 | – | 100% | Provision of corporate and consultancy services |
| Linkson Investment Limited | Hong Kong | HK\$2 | – | 100% | Sub-leasing of office |
| 漢華正立資本管理諮詢(北京)有限公司* | The PRC | HK\$2,000,000 | – | 100% | Provision of consultancy services |
| Creative Market Holdings Limited | BVI/ Hong Kong | US\$1 | – | 100% | Investment holding |
| Greater China Asset Services Limited | Hong Kong | HK\$1 | – | 100% | Provision of asset appraisal services, corporate consultancy services and property agency services |
| 上海熱潮多媒體廣告有限公司* | The PRC | RMB620,000 | – | 100% | Provision of media advertising services |
| 常熱金視廣告傳媒有限公司* | The PRC | RMB500,000 | – | 100% | Provision of media advertising services |
| 張家港金凱廣告傳媒有限公司* | The PRC | RMB500,000 | – | 100% | Provision of media advertising services |
| Alright Venture Limited | BVI/ Hong Kong | US\$150 | – | 100% | Investment holding |
| Colbert Finance Limited | Hong Kong | HK\$3,000,000 | – | 100% | Provision of financial credit services |
| Infast Brokerage Limited | Hong Kong | HK\$52,000,000 | – | 100% | Provision of securities broking, placing and underwriting services and trading of securities |

The above list contains the particulars of subsidiaries of the Company which principally affected the results, assets or liabilities of the Group.

* Registered as limited liability enterprise under the PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI")

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

| Name | Great China | | Golden Vault Limited | |
|--|---------------------|----------|----------------------|----------|
| | Appraisal Limited | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Principal place of business/country of incorporation | Hong Kong/Hong Kong | | Hong Kong/BVI | |
| % of ownership interests | 19.9% | 19.9% | 20% | 20% |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 31 March: | | | | |
| Non-current assets | 3,024 | 3,391 | 395 | 492 |
| Current assets | 37,010 | 33,899 | 11,878 | 17,995 |
| Current liabilities | (31,862) | (18,024) | (646) | (619) |
| Non-current liabilities | – | (186) | – | – |
| Net assets | 8,172 | 19,080 | 11,627 | 17,868 |
| Carrying amount of NCI | 1,626 | 3,797 | 2,325 | 3,574 |
| Year ended 31 March | | | | |
| Revenue | 26,314 | 30,717 | 3,654 | 4,140 |
| Loss for the year | (10,910) | (5,527) | (6,245) | (517) |
| Loss allocated to NCI | (2,171) | (1,100) | (1,249) | (103) |
| Total comprehensive expense for the year | (10,910) | (5,527) | (6,241) | (495) |
| Net cash generated from/(used in) operating activities | 1,804 | (3,999) | 53 | 465 |
| Net cash from/(used in) investing activities | 128 | (66) | – | 1 |
| Net cash (used in)/from financing activities | (2,623) | 3,994 | – | – |
| Net (decrease)/increase in cash and cash equivalents | (691) | (71) | 53 | 466 |

(c) Significant restriction

As at 31 March 2020, the bank balances and cash of the Company's subsidiaries in the PRC denominated in RMB amounted to approximately HK\$397,000 (2019: HK\$333,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company's subsidiaries is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

47. EVENT AFTER THE REPORTING PERIOD

(a) Termination of Discloseable Transaction in relation to the Disposal of Interests in a Subsidiary

On 18 March 2020, Zhong Nan Investments Limited, a wholly-owned subsidiary of the Company (the "Vendor") entered into a conditional agreement ("Agreement") with Zhaohuui Prosperity International Limited (the "Purchaser"), pursuant to which the Vendor conditionally agreed to sell and transfer, and the Purchaser conditionally agreed to acquire and accept, the entire equity interest, being 100% of the issued share capital of IAM Group Inc., a wholly-owned subsidiary of the Company and its subsidiaries (together referred to as the "Target Group") at consideration of HK\$3,800,000 plus the amount of the net asset value of Target Group as at 15 March 2020 (the "Disposal"). The Vendor received the first deposit, being HK\$380,000 (the "Deposit") from the Purchaser for the Disposal.

On 15 April 2020, the Vendor and the Purchaser executed a deed of termination (the "Termination Deed") to terminate the Agreement. Pursuant to the Termination Deed, (i) the Deposit shall be forfeited by the Vendor; and (ii) the Vendor and the Purchaser release and discharge each other from any and all duties, obligations, claims and liabilities past, present and/or future arising out of or in respect of the Agreement.

The Company is of the view that the termination of the Agreement shall have no material adverse impact on the existing businesses, operation and financial condition of the Group. Details of the above are set out in the Company's announcements dated 18 March 2020 and 15 April 2020.

(b) Epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak")

Since early 2020, the COVID-19 outbreak has spread across the PRC and other countries and it has affected the business and economic activities of the Group as well as the Group's customers and suppliers to some extent.

The overall financial effect cannot be reliably estimated as of the approval date on these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------------|------------------|------------------|
| Non-current assets | | |
| Interests in subsidiaries | – | – |
| Current assets | | |
| Other receivables | 194 | 197 |
| Amounts due from subsidiaries | 209,270 | 333,596 |
| Bank balances and cash | 14 | 281 |
| | 209,478 | 334,074 |
| Current liabilities | | |
| Other payables | 9,420 | 8,623 |
| Amounts due to subsidiaries | 20,151 | 19,875 |
| | 29,571 | 28,498 |
| Net current assets | 179,907 | 305,576 |
| Non-current liabilities | | |
| Promissory notes | 57,240 | 55,620 |
| NET ASSETS | 122,667 | 249,956 |
| Capital and reserves | | |
| Share capital | 58,296 | 58,296 |
| Reserves | 64,371 | 191,660 |
| TOTAL EQUITY | 122,667 | 249,956 |

Approved and authorised for issue by the Board of Directors on 23 June 2020.

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements in Company's reserves

| | Share premium (Note 38(b)(i)) HK\$'000 | Share options reserve (Note 38(b)(iv)) HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|---|--|-----------------------------------|-------------------|
| At 1 April 2018 | 581,772 | 13,545 | (338,533) | 256,784 |
| Loss and total comprehensive expenses for the year | – | – | (65,124) | (65,124) |
| Lapse of share options | – | (2,546) | 2,546 | – |
| | – | (2,546) | (62,578) | (65,124) |
| At 31 March 2019 and 1 April 2019 | 581,772 | 10,999 | (401,111) | 191,660 |
| Loss and total comprehensive expenses for the year | – | – | (140,344) | (140,344) |
| Recognition of share-based payments | – | 13,055 | – | 13,055 |
| Lapse of share options | – | (2,245) | 2,245 | – |
| | – | 10,810 | (138,099) | (127,289) |
| At 31 March 2020 | 581,772 | 21,809 | (539,210) | 64,371 |

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 June 2020.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

| | Year ended 31 March | | | | |
|---|---------------------|----------|-----------|-----------|----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Loss for the year attributable to owners of the Company | (126,468) | (64,178) | (176,700) | (124,323) | (3,473) |

ASSETS AND LIABILITIES

| | Year ended 31 March | | | | |
|-------------------|---------------------|-----------|-----------|-----------|----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Total Assets | 250,475 | 378,281 | 431,726 | 620,039 | 645,170 |
| Total Liabilities | (126,973) | (121,984) | (106,669) | (180,267) | (82,469) |
| | 123,502 | 256,297 | 325,057 | 439,772 | 562,701 |