



萬隆控股集團有限公司  
Ban Loong Holdings Limited

Incorporated in Bermuda with limited liability  
Stock Code: 30

**2020/2021**  
**ANNUAL REPORT**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Wang Minghui (*Chairman*)

Mr. Chow Wang

*(Deputy Chairman & Chief Executive Officer)*

Mr. Yin Pinyao

Mr. Chu Ka Wa (*Chief Financial Officer*)

Mr. Wang Zhaoqing (*Chief Operating Officer*)

### Non-Executive Director:

Mr. Fong For

### Independent Non-Executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan

## COMMITTEES

### Audit Committee

Ms. Wong Chui San, Susan (*Chairman*)

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

### Remuneration Committee

Mr. Leung Ka Kui, Johnny (*Chairman*)

Mr. Jiang Zhi

Ms. Wong Chui San, Susan

Mr. Chow Wang

Mr. Chu Ka Wa

### Nomination Committee

Mr. Wang Minghui (*Chairman*)

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan

Mr. Chow Wang

## COMPANY SECRETARY

Ms. Li Wing Sze

## AUTHORIZED REPRESENTATIVES

Mr. Chow Wang

Mr. Chu Ka Wa

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## PRINCIPAL PLACE OF BUSINESS

Room 2709-10, 27/F

China Resources Building

No. 26 Harbour Road

Wanchai, Hong Kong

## AUDITORS

HLB Hodgson Impey Cheng Limited

## REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

## SOLICITORS

Deacons

Michael Li & Co.

## WEBSITE

[www.0030hk.com](http://www.0030hk.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS

The financial results of Ban Loong Holdings Limited (the “Company”) and its subsidiaries (collectively as the “Group”) for the year ended 31 March 2021 were highlighted as follows:

- Revenue during the year ended 31 March 2021 (“2020/2021”) was HK\$1,216.7 million, representing an increase of approximately 4.7% from HK\$1,162.2 million in the year ended 31 March 2020 (“2019/2020”). The increase was mainly attributable to an increase in income from trading segment which was mainly due to the increase in purchase order placed by the Group’s trading customers.
- Gross profit amounted to HK\$96.4 million during 2020/2021, representing a decrease of approximately 10.8% from HK\$108.1 million in 2019/2020. Gross profit margin was 7.9% in 2020/2021, while the gross profit margin was 9.3% in 2019/2020. The decrease in profit margin was due to the comparatively low profit margin of the trading of Cannabidiol (“CBD”) isolate at the initial stage.
- Profit of the Group for 2020/2021 and 2019/2020 was HK\$13.2 million and HK\$49.6 million respectively. The decrease in profit was mainly due to a decrease in profit margin of trading segment; an increase in net allowance for expected credit losses; and an increase in finance costs due to the issuance of the convertible bond.

For the detailed financial results of each operating segment, please refer to note 7 of the notes to the consolidated financial statements.

## FINAL DIVIDEND

The board (the “Board”) of the directors (the “Directors”) of the Company did not propose a final dividend for the year ended 31 March 2021 (2019/2020: nil).

## BUSINESS REVIEW

Starting from this year, the Group’s operations are divided into three identifiable business segments, namely, the money lending segment, the trading of goods and commodities segment and CBD isolate segment. The money lending segment refers to the money lending business in Hong Kong which is conducted by Ban Loong Finance Company Limited (“Ban Loong Finance”), a wholly-owned subsidiary of the Company which is a licensed money lender in Hong Kong. The trading segment refers to (i) the trading of goods and commodities in the People’s Republic of China (the “PRC”) conducted by Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (萬隆興業商貿(深圳)有限公司) (“Wan Long Xing Ye”), a wholly-owned subsidiary of the Company; (ii) the trading of goods and commodities in Hong Kong conducted by Wan Long Xing Ye Commercial Trading (Hong Kong) Limited (“Wan Long Xing Ye HK”), a wholly-owned subsidiary of the Company and (iii) the trading of CBD isolate conducted by Ban Loong Hemp Technology Limited (“Ban Loong Hemp”), a wholly-owned subsidiary of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (CONTINUED)

### Money lending segment

Ban Loong Finance is a licensed money lender which is engaged in money lending business in Hong Kong. Its business primarily focuses on short-term personal and corporate loans. To maintain credit control efficiency, Ban Loong Finance does not currently conduct business at retail level. Potential borrowers were sought from the social and business networks of the management and marketing team. Our money lending business is managed by a team of experienced personnel including loan officers, reviewing officers and other management members who possess sound financial and business knowledge. To safeguard assets of the Group, the management and credit control team review and assesses the credit risk of each loan application carefully to ensure recoverability of each lending. Generally speaking, in order to facilitate the management's continual monitoring of the financial stability of borrowers, borrowers would be requested to pay interest monthly. The Company has put in place clear credit policies, guidelines, controls and procedures covering the entire life cycle of each loan transaction, which are summarised as follows:

- (1) **Assessment of application:** Our management and staff conduct background checking and know-your-client (KYC) procedures over the applying borrowers. Individual borrowers are invited to our office to conduct personal meetings with our loan officer to understand their financial needs and their repayment plans. For corporate borrowers, our loan officer may interview the applicant and, if necessary, visit the office of the applicant to understand their business scale and nature. The loan officer reports the results of the meeting to the reviewing officer as a part of the loan approval process.
- (2) **Loan approval:** Based on the application, the loan officer makes a recommendation on the loan size, term and interest rate based on the results of the background checking stage. Factors being taken into account in considering the loan application include: (a) the Group's assessment on the financial means of the applicant, both in terms of his/her annual income and asset base; (b) the macro-economy and the latest trend of interest rate; and (c) the availability of personal guarantee and/or provision of collateral to fortify the repayment obligations. The proposal will be submitted to the reviewing officer of the department. For renewal of applications of existing customers, the customer interview procedure will be proceeded as usual but the background checking and KYC procedures are simplified. In addition to the assessment factors for new customers, the result of any renewal applications from existing customers also depend on their past repayment records. If the loan application is approved, the loan officer will prepare the full legal documentation of the loan, guarantee and asset pledge with the assistance of external legal advisers. Once the loan is properly documented and executed, the loan officer will report to the reviewing officer and the management to prepare for the loan drawdown.
- (3) **Ongoing account maintenance:** The loan officer provides continuous monitoring of the loan repayments and regularly reviews if there is any change of situation, and reports to the reviewing officer from time to time.
- (4) **Repayment collection:** The loan officer makes phone calls and text messages to borrowers to remind them of repayment schedules. In the event of repayment delay or default, the loan officer will instruct legal advisers to issue demand letters and commence legal proceedings if necessary.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (CONTINUED)

### Money lending segment (Continued)

Business performance of the money lending segment during the year ended 31 March 2021 was summarised below:

- Aggregate amount of new lending during the year	HK\$57.5 million (2019/2020: HK\$82.7 million)
- Total number of new lending during the year	8 (2019/2020: 18)
- Range of effective annual percentage rate ("APR")	12%-28.8% (2019/2020: 12%-28.8%)
- Weighted average APR	18.07% (2019/2020: 18.2%)

During the year ended 31 March 2021, revenue generated from the money lending segment, contributed essentially by interest received and accrued, decreased from approximately HK\$89.7 million in 2019/2020 to approximately HK\$87.8 million.

During the period between 14 November 2017 and 8 June 2020, Ban Loong Finance Company Limited (a wholly-owned subsidiary of the Company, the "Lender") has granted loans in the aggregate principal amount of HK\$94.0 million (the "Loans") to five independent borrowers (the "Borrowers"). As at the year ended 31 March 2021, the aggregate outstanding amount of the Loans (inclusive of outstanding principal amount and interest payments if any) of HK\$63.9 million were overdue.

The Lender has negotiated with the Borrowers and a final grace period of 14 days has been given to the Borrowers for repayment of the Loans. The Company is seeking legal advice as to how to further protect its interest in connection with the above. Further announcements shall be made as and when applicable.

The board of directors of the Company (the "Board") is of the view that there is no material financial impact on the Group as a result of the above. The Board will use its best endeavours and take all possible actions to seek recovery from each of the Borrowers of the principal outstanding amount and/or interest payments in relation to the Loans.

### Trading segment of goods and commodities

During the year ended 31 March 2021, the revenue and segment profit generated from the trading of goods and commodities segment were approximately HK\$1,126.2 million (2019/2020: HK\$1,072.5 million) and HK\$7.6 million (2019/2020: HK\$13.1 million), representing approximately 92.6% (2019/2020: 92.3%) of the Group's revenue and 10.5% (2019/2020: 12.8%) of the Group's total segment profit (before unallocated corporate income and gain, unallocated corporate expenses and finance cost).

The increase in revenue from trading segment was mainly due to the increase in purchase orders placed by the Group's trading customers. The decrease in segment profit was due to the increase in selling and distribution expenses which intended to attract potential customers.

### Trading segment of CBD isolate

In previous years, the trading segment of the Group successfully diversified its trading goods categories from refined edible oil and cosmetics products to sugar and personal care products. Through the business network of the suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the legalisation and the consumer use in CBD and commenced its international trading business of CBD isolate. During the year ended 31 March 2021, the revenue and loss generated from the trading of CBD isolate segment were approximately HK\$2.8 million and HK\$8.6 million respectively. The loss was due to the comparatively low profit margin of the trading of CBD isolate at the initial stage.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GENERAL AND ADMINISTRATIVE EXPENSES

During the year ended 31 March 2021, the Group's general and administrative expenses (which mainly comprises legal and professional fees, staff salaries, directors' fees and depreciation of right-of-use assets) amounted to approximately HK\$45.8 million (2019/2020: HK\$41.3 million), which were 10.90% higher than 2019/2020, the increase of which was principally due to the increased in legal and professional fees in attribute to commencement of the trading of CBD isolate during the current year.

## FINANCE COSTS

During 2020/2021 and 2019/2020, finance costs amounting to approximately HK\$18.0 million and HK\$5.0 million were incurred respectively. The increase of HK\$13.0 million was mainly due to interest incurred on convertible bond issued during 2020/2021.

## INCOME TAX EXPENSES

During the year ended 31 March 2021, income tax expenses amounting to HK\$7.0 million (2019/2020: HK\$10.5 million) were incurred. The decrease in the income tax expenses is principally due to the decrease in the profit generated from the money lending segment and trading segment during 2020/2021.

## EARNINGS PER SHARE

During the year ended 31 March 2021, the basic and diluted earnings per share amounted to 0.20 HK cents, as compared to the basic and diluted earnings per share of 0.77 HK cents in 2019/2020.

## FINANCIAL POSITION

The Group's consolidated statement of financial position remained solid. Shareholders' equity increased from approximately HK\$800.7 million to HK\$852.1 million. Total assets increased by 49.2% from approximately HK\$967.0 million to HK\$1,442.6 million which was mainly due to the increase in bank balances and cash from convertible bond issued during the year. Net assets increased by 6.4% from HK\$800.7 million to HK\$852.1 million which was primarily due to the increase in the total comprehensive income recorded during the year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group's cash and cash equivalents amounted to HK\$251.2 million (2020: HK\$7.0 million).

As at 31 March 2021, the Group had an aggregate outstanding principal amount of HK\$20 million of the outstanding corporate bonds ("Bonds"), which is unsecured and bears an interest at 5.5% per-annum with a maturity of 7 years. The Bonds were issued between 2 January and 10 July 2014 with an aggregate principal amount of HK\$70 million and will be due between January and July 2021. The repayment obligations of the Company under the instruments of the Bonds are guaranteed by Jun Qiao Limited ("Jun Qiao"). Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the mining assets (the "Mining Assets") owned by Jun Qiao and its subsidiaries (the "Jun Qiao Group") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. Due to the purported transfer of 90% equity of Tong Bai County Yin Di Mining Company Limited ("Yin Di Mining") to Henan Guiyuan Industry Co., Ltd. ("Henan Guiyuan") and related incidents as disclosed in the Company's announcements dated 15 January 2017, 22 January 2017 and 1 February 2017 (the "Incidents"), the Company de-consolidated the Yin Di Mining and its subsidiary (collectively, the "De-consolidated Subsidiaries"). As a matter of prudent treatment, the Bonds were classified as current liabilities. On 31 January 2019, the Group entered into a sale and purchase agreement to dispose of its 60% shareholding in Jun Qiao to an independent third party for a cash consideration of HK\$100,000 together with a 30% proportionate sharing of the compensation, after costs, from the legal actions commenced by the Group in seeking to recover the Mining Assets. Jun Qiao is an investment holding company whose principal assets are its investments in the De-consolidated Subsidiaries. The Group had disposed of the entire issued share capital of Jun Qiao (the "Disposal") and the Group ceased its control of Jun Qiao Group upon completion of the Disposal on 25 February 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

On 30 October 2020, the Company issued 3% per-annum 2-year convertible bond (the “Convertible Bond”) with an aggregate principal amount of HK\$500 million to Yunnan Baiyao Group Co., Ltd (“Yunnan Baiyao Group”), a connected person of the Company. The Convertible Bond has an initial conversion price of HK\$0.258 per conversion share. The Convertible Bond bears simple interest on its outstanding principal amount at the rate of 3% per annum, payable on the anniversary of the date of issue, and will mature on the second anniversary of the date of issue.

	<b>As at 31 March 2021</b>	As at 31 March 2020
Current ratio (current assets/current liabilities)	<b>14.19 times</b>	5.89 times
Gearing ratio (total liabilities/total assets)	<b>41%</b>	17%

The Group’s debtor’s turnover period was 2 days for 2020/2021 as compared to 7 days for 2019/2020. The decrease was mainly due to the tightened credit control.

The creditors’ turnover period was reduced to 5 days for 2020/2021 as compared with 15 days for 2019/2020. Creditors’ turnover period improved which was due to the more timely repayment of the amounts due to our suppliers during 2020/2021.

The inventories’ turnover period remained stable at 5 days for 2020/2021 as compared with 5 days for 2019/2020. Inventory control was always one of the primary tasks of the Group’s management team to maintain the liquidity and healthy financial position of the Group.

The Group’s liquidity remains healthy. Nevertheless, as the Company is still keen on looking for strategic investment to diversify its business operation, additional financing might be required when suitable investment opportunity is identified. The management of the Group will assess and consider various possible fund raising alternatives to strengthen the capital base and financial position of the Company and to maintain sufficient working capital to support its future operational and investment needs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SHARE CAPITAL AND FUND-RAISING ACTIVITIES

As at 31 March 2021, the total number of issued ordinary shares (the “Shares”) of the Company was 6,448,152,160 shares (2020: 6,448,152,160 shares).

The gross proceeds and net proceeds from the subscription amount for the Convertible Bond by Yunnan Baiyao Group (the “Subscription”) are approximately HK\$500 million and HK\$498 million, respectively. The Company applied the net proceeds from the Subscription as follows:

	<b>Business segment</b>	<b>Planned use of proceeds</b> HK\$' million	<b>Actual use of proceeds</b> HK\$' million
Expansion of existing trading business in cosmetics and personal care products	Trading	100	100
Expansion of CBD-based cosmetics and personal care product trading business	Trading	90	58
Purchase of CBD isolate inventory for trading purpose	Trading	20	15
Setting up of hemp cultivation and extraction facilities for vertical expansion of CBD trading business	Manufacturing and trading	70	–
Expansion of CBD-related target business	Trading	40	–
Expansion of existing money lending business	Money Lending	50	43
Repayment of bonds issued by the Company	–	70	50
Working capital for the financial year ending 31 March 2021	–	58	35
		<hr/>	<hr/>
Total		498	301

The Company will apply the remaining net proceeds for the purpose as disclosed as above. The Company intends to fully utilised the net proceeds from the Subscription by 31 March 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EVENTS AFTER THE REPORTING PERIOD

For the details of events after the reporting period, please refer to note 39 to the consolidated financial statements.

## PLEDGE OF ASSETS

As at 31 March 2021, no assets of the Group were pledged to secure general banking facilities granted to the Group.

## CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no material capital commitments (2020: nil).

## CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no material contingent liabilities (2020: nil).

## FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, and most of the Group's cash balances are deposited in Hong Kong dollars or Renminbi with banks in Hong Kong and the PRC. Certain portion of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

## PRINCIPAL RISKS AND UNCERTAINTIES

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 March 2021, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis on pages 3 to 11.

## COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

## EMPLOYEE REMUNERATION POLICY

As at 31 March 2021, the Group had 33 employees (2020: 29 employees). For the year ended 31 March 2021, the total salaries, commissions, incentives and all other staff related costs amounted to approximately HK\$15.6 million (2019/2020: HK\$15.7 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds, life insurance and medical assistance benefit. The Company may also grant share options to eligible employees to motivate their performance and contribution to the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 March 2021, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PROSPECTS

### Money lending segment

During the year ended 31 March 2021, the Group continued to make new loans or renew matured loans with existing customers. Loan renewals had the benefits of deeper understanding of customer background and repayment records, and streamlined procedures on legal documentation and approval process. Subject to the market condition and the impact of COVID-19, the Group would take a more prudent approach in approving new loan and loan renewals, assessing the recoverability of existing loan receivables, with a view to minimise the risks associated with the money lending business while maintaining a constant cash inflow to the Group.

### Trading segment of goods and commodities

In previous years, the trading segment of the Group successfully diversified its trading goods categories, expanding the product portfolio from refined edible oil and cosmetic products to sugar and personal care products.

Leveraged on the Company's accumulated experience and expertise in trading cosmetics and personal care products by procuring products from cosmetics and personal care product brands and supplying them to e-commerce platforms (the "E-commerce Platform") and other traders of cosmetics and personal care products, the Group has been looking for opportunities to expand its product portfolio.

Going forward, as part of its business strategies, the Group intends to continue (i) to enhance the cosmetics and personal care products brand portfolio of the Group; and (ii) to intensify its efforts in expanding the suppliers network, in terms of nature of products, origins of import, and securing additional customers and sales network.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS (CONTINUED)

### Trading segment of CBD isolate

The Group is in the progress of preparing for its entry into the hemp cultivation industry and setting up its hemp cultivation plantation. On 23 April 2021, the Company entered into a non-legally binding Memorandum of Understanding with Yunnan Baiyao Group, to establish a joint venture company ("JV Company") which will be engaged in relevant businesses in the value chain and supply chain of industrial hemp.

Subject to compliance with the relevant PRC laws and regulations, the Company agreed to and to procure its subsidiaries to, be in charge and responsible for the overall coordination of all significant matters involved in the industrial hemp cultivation, including conducting research and making decision on the type of industrial hemp to be cultivated and the demand, formulating the overall timetable for the industrial hemp cultivation, carrying out the maintenance of the plantation and the equipment, conducting the overall sale and promotion of industrial hemp products and employing relevant personnel for the implementation of the aforesaid in the JV Company. Yunnan Baiyao Group agreed to and to procure its subsidiaries to, provide assistance to the JV Company in the hemp cultivation activities according to the instructions provided by the Group, including providing assistance in the production and preparation of industrial hemp raw materials, assisting in the allocation of facilities, operation, and the overall management of resources in order to complete the industrial hemp cultivation, assisting in the introduction of other types of hemp seeds for research and development purpose, producing and developing the end products that contain cannabinoids and industrial hemp, providing support for the marketing of related products, and ensuring that all industrial hemp planting and related activities are carried out with relevant approval, licence and permit and complying with the relevant PRC laws and regulations.

The Company and Yunnan Baiyao Group shall negotiate for the terms and conditions of the proposed formation of the JV Company and the definitive agreement no later than 30 July 2021.

### Other

The management always believes that it is in the best interest of the Company and its shareholders to diversify the Group's business portfolio. The Company will continue to identify appropriate potential investment opportunities.

# DIRECTORS' REPORT

The Board present their report and the audited consolidated financial statements for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in money lending business, trading of goods and commodities and CBD isolate. The details of principal activities and other particulars of the subsidiaries are set out in note 36 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this report. There were no significant changes in the nature of the Group's principal activities during the year.

## BUSINESS REVIEW

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 March 2021, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis on pages 3 to 11.

During the year ended 31 March 2021, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit and loss and other comprehensive income on pages 41 to 42.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 45 and note 34 to the consolidated financial statement respectively.

## DISTRIBUTABLE RESERVES

The Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 (as amended) as at 31 March 2021. In addition, the Company's share premium account of HK\$988,278,817 as at 31 March 2021 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves are set out in note 34 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

# DIRECTORS' REPORT

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the consolidated financial statements.

## BANK BORROWINGS AND BANKING FACILITIES

The Group had no outstanding bank borrowings as at 31 March 2021.

## FIVE-YEAR 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 on page 106.

## DIRECTORS

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

### Executive Directors:

Mr. Wang Minghui (*Chairman*)  
 Mr. Chow Wang (*Deputy Chairman & Chief Executive Officer*)  
 Mr. Yin Pinyao  
 Mr. Chu Ka Wa (*Chief Financial Officer*)  
 Mr. Wang Zhaoqing (*Chief Operating Officer*)

### Non-Executive Director:

Mr. Fong For

### Independent Non-Executive Directors:

Mr. Jiang Zhi  
 Mr. Leung Ka Kui, Johnny  
 Ms. Wong Chui San, Susan

In accordance with the Bye-law 84 of the Company's Bye-laws (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years, Mr. Wang Minghui, Mr. Yin Pinyao and Mr. Jiang Zhi will retire from office by rotation and will offer themselves for re-election at the forthcoming annual general meeting ("AGM"), notice of which will be dispatched to the shareholders of the Company (the "Shareholders") in due course.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 20 to 22 of this report.

# DIRECTORS' REPORT

## EMOLUMENT POLICY

A Remuneration Committee is set up 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.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers that all of the INEDs are independent.

## DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming AGM have a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

## MANAGEMENT CONTRACTS

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

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

## NEW SHARE OPTION SCHEME

The old share option scheme was adopted by the Company on 27 March 2002 for a period of ten years and expired on 26 March 2012. In order to continue to provide the Company with a flexible means of giving incentive to eligible participants to recognize and acknowledge the contributions that eligible participants made or may make to the Group, a new share option scheme (the "New Share Option Scheme") has been approved by the shareholders at the annual general meeting of the Company held on 30 September 2013 (the "Adoption Date"), the Directors may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

The New Share Option Scheme is valid and effective for ten years and will expire on 29 September 2023. From the Adoption Date up to 31 March 2021, no option has been granted. Save for the New Share Option Scheme, the Company does not have any other share option scheme as at 31 March 2021.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme disclosed above, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party or any arrangement to enable the Directors to acquire such rights in any other body corporate.

# DIRECTORS' REPORT

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONTINUING CONNECTED TRANSACTIONS

On 10 May 2019, Wan Long Xing Ye (a wholly-owned subsidiary of the Company) entered into a supply agreement with Yunnan Baiyao Group Yunfeng Import & Export Trading Co., Ltd. (the "Supplier") regarding the supply of plant extracts and the provision of ancillary testing, logistics, import and export and related services (the "Supply Agreement") as part of the Group's ordinary and usual course of business. The Supplier is an indirect wholly-owned subsidiary of Yunnan Baiyao Group Co., Ltd. (Yunnan Baiyao Group) which is a substantial shareholder of the Company. Thus, the Supplier Group is a connected person of the Company and the transactions contemplated under the Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios (other than the profit ratio) as defined under the Listing Rules in respect of the Annual Caps are less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the transactions contemplated under the Supply Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The annual caps for transactions values under the Supply Agreement are HK\$38,000,000 (the "Annual Caps") for each of the three years ending 31 March 2020, 2021 and 2022, respectively. During the year ended 31 March 2021, the total purchase of plant extracts under the Supply Agreement amounted to HK\$11,267,694.

All the independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- a. in the ordinary and usual course of business of the Group;
- b. on normal commercial terms; and
- c. according to the agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

## DIRECTORS' REPORT

For the purpose of Rule 14A.56 of the Listing Rules, the Company's auditors, HLB Hodgson Impey Cheng Limited, have been engaged to report on the continuing connected transactions for the year ended 31 March 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules and a copy of the auditors' letter has been provided to the Stock Exchange. The auditors have confirmed the above continuing connected transactions as follows:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- c. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions disclosed above have exceeded the annual cap as set by the Company.

The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the year ended 31 March 2021 are set out in note 31 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules which requires to be disclosed.

## DIRECTORS' REPORT

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

As at 31 March 2021, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Names of Directors	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
Chow Wang	Beneficial owner	495,404,000	7.68%
Fong For	Beneficial owner	349,068,000	5.41%

Save as disclosed above, as at 31 March 2021, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, the following persons and entities (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Names of Shareholders	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
Yunnan Baiyao Group Co., Ltd. ("Yunnan Baiyao Group")	Beneficial owner	4,737,482,724 <sup>(Note 1)</sup>	73.47%
Shanghai International Trust Corp., Ltd. 上海國際信託有限公司 ("Shanghai Trust")	Trustee	1,937,984,496 <sup>(Note 2)</sup>	30.05%

Notes:

- (1) On 14 October 2019, the Company and Yunnan Baiyao Group entered into the subscription agreement pursuant to which the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, the convertible bond. 2,829,457,364 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds. On 30 October 2020 the Subscription has been completed. As at the date of this report, there has not been exercise of any conversion bond. For further details of the Subscription, please refer to the announcements dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020 and the circular dated 11 September 2020.
- (2) Pursuant to the Supplemental Subscription Agreement VI entered into between the Company and Yunnan Baiyao Group. Yunnan Baiyao Group has appointed Shanghai Trust, a qualified domestic institutional investor ("QDII") to act as a trustee of Yunnan Baiyao Group and subscribe to and hold the Convertible Bonds on behalf of Yunnan Baiyao Group, while Yunnan Baiyao Group will remain as the beneficial owner of the Convertible Bonds. For further details, please refer to the announcement dated 29 October 2020.

Other than disclosed above, as at 31 March 2021, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## DIRECTORS' REPORT

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

### PERMITTED INDEMNITY PROVISION

Pursuant to Bye-Law 164 of the Bye-laws and relevant provisions of the regulations stipulated, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses and liabilities which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this Bye-Law shall only have effect in so far as its provisions are not avoided by the Bermuda Companies Act.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors of the Group.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and sales for the year attributable to major suppliers and customers are as follows:

#### Purchases

– the largest supplier	23.04%
– five largest suppliers combined	43.28%

#### Sales

– the largest customer	55.53%
– five largest customers combined	74.86%

No directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

### SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, the public float of the Shares has remained above the minimum percentage required by the Stock Exchange throughout the year.

### EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the year are set out in note 39 to the consolidated financial statements.

# DIRECTORS' REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021

The Company's corporate governance practices, including the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the Remuneration Committee of the Company (the "Remuneration Committee"), are set out in the Corporate Governance Report on pages 23 to 35 of this report.

The Company's ESG report will be published on the Company's and the Stock Exchange's websites in relation to environmental and social activities performed in 2020/2021 in due course.

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risks management and financial reporting matter, including the review of the financial statements for the year ended 31 March 2021.

## AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

### **Chow Wang**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 30 June 2021

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Wang Minghui (“Mr. Wang”)**, aged 59, was appointed as an Executive Director, the Chairman of the Board and the chairman of the Nomination Committee with effect from 12 September 2019. Mr. Wang graduated from Yunnan University with a post-graduate degree in foreign economics and management. Mr. Wang is a senior economist in China and has over 37 years of management experience occupying key management roles in pharmaceutical enterprises in China. He is currently the interim chief executive officer of Yunnan Baiyao Group, a company whose A shares are listed on the Shenzhen Stock Exchange with stock code 000538 and a substantial Shareholder.

**Mr. Chow Wang (“Mr. Chow”)**, aged 57, has over more than 22 years of experience in the field of business development, trading and investment. After Mr. Chow finished his secondary education in China in early 80’s, he was engaged in trading business in Shenzhen, China. After relocating to Hong Kong in late 80’s, Mr. Chow established Ban Loong Shareholding Limited (“Ban Loong”) and acquired Union Shine Technology Limited (“Union Shine”). Ban Loong is engaged in the investment in private equity projects in Hong Kong and China, while Union Shine is engaged in the production of consumer electronic products, accessories and parts. Mr. Chow has extensive experience in corporate development and management, and has a well-established social network in financial and business sectors in Hong Kong and China.

Mr. Chow was appointed as an Executive Director, the Chairman of the Board, the Chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 9 October 2014. Mr. Chow was also appointed as a Chief Executive Officer of the Company with effect from 23 January 2017. With effect from 12 September 2019, Mr. Chow ceased to be the Chairman of each of the Board and the Nomination Committee and was re-designated as the Deputy Chairman of the Board, and a member of the Nomination Committee.

Mr. Chow currently acts as a director of the following subsidiaries of the Company, namely, Ban Loong Finance Company Limited, Wan Long Xing Ye Commercial Trading (Hong Kong) Limited, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited, Yunnan Baiyao Qingyitang Hong Kong Limited and Ban Loong Fund Investment Limited.

As at 31 March 2021, Mr. Chow is interested in 495,404,000 Shares, representing approximately 7.68% of the total number of issued Shares.

**Mr. Yin Pinyao (“Mr. Yin”)**, aged 52, was appointed as an Executive Director with effect from 12 September 2019. Mr. Yin graduated from Yunnan University with a bachelor degree in economics. Mr. Yin is a senior economist in China and has over 25 years of management and finance experience occupying key management roles in pharmaceutical enterprises in China. He is currently the chief operation officer and senior vice president of Yunnan Baiyao Group.

**Mr. Chu Ka Wa (“Mr. Chu”)**, aged 36, joined the Company in 2013 and was appointed as the financial controller of the Company since March 2013. Mr. Chu obtained a Bachelor of Accounting degree from The Hong Kong University of Science and Technology in 2008 and a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2016. Mr. Chu is a member of Hong Kong Institute of Certified Public Accountants. Mr. Chu is also an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Chu had over 10 years’ experience in auditing and financial management.

Mr. Chu was appointed as an Executive Director and Chief Financial Officer of the Company on 23 January 2017. Mr. Chu was also appointed as an authorized representative and a member of the Nomination Committee and the Remuneration Committee on 24 January 2017. With effect from 12 September 2019, Mr. Chu ceased to be a member of the Nomination Committee.

Mr. Chu currently acts as a director of the following subsidiaries of the Company, namely, Ban Loong Finance Company Limited, Wan Long Xing Ye Commercial Trading (Hong Kong) Limited, Yunnan Baiyao Qingyitang Hong Kong Limited, Susanoo Ventures Limited, Ban Loong Asset Management Limited, Ban Loong Fund Investment Limited and Ban Loong Hemp Technology Limited.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wang Zhaoqing (“Mr. Wang”)**, aged 58, joined the Company in 2013 and was appointed as the Chief Operating Officer of the Company since December 2013. Mr. Wang graduated from College for Administrative Personnel of the Customs, China in 1987 and College of Economics, Jinan University, Guangzhou in 1989. He also obtained a Master of Business Administration degree from Hong Kong Baptist University in 2004. Mr. Wang obtained a Doctor of Business Administration degree from Victoria University, Switzerland in 2009. From 2007 to 2008, he was a Senior Visiting Scholar in Asia School of Business Singapore. Mr. Wang has over 26 years of working experience in the business operating sector, and is experienced in financial and economic analysis, and the management of import and export.

Mr. Wang was appointed as an Executive Director on 23 January 2017. Mr. Wang currently acts as a director of Ban Loong Finance Company Limited, a subsidiary of the Company.

### NON-EXECUTIVE DIRECTOR

**Mr. Fong For (“Mr. Fong”)**, aged 62, completed his high school education in Lufeng, Guangdong, China. He is currently an Honorary President of the Confederacy of Hong Kong Shanwei Clansmen Limited, and a Vice President of the Standing Committee of the Overseas Friendship Association of Shanwei. Mr. Fong was also previously a member of the Shanwei Committee of the Chinese People’s Political Consultative Conference. Mr. Fong has many years of business and management experience in textile, trading, investments, property development and logistics. Mr. Fong was appointed as a Non-executive Director on 12 December 2014.

On 11 May 2006, Mr. Fong (a) pleaded guilty to one summons relating to his failure to notify the listed issuer of his interests in shares of Zheda Lande Scitech Limited, whose H shares are listed on GEM of the Stock Exchange with stock code: 8106, amounting to over 10% of the H shares of that listed company which should be disclosed under Part XV of the SFO; (b) was convicted for contravening Part XV of the SFO; and (c) was fined by The Eastern Magistrates’ Courts of Hong Kong for HK\$6,000 (and investigation costs of the Securities and Futures Commission). Save as disclosed above, Mr. Fong has not been convicted of any other offences.

Despite the conviction disclosed above, both Mr. Fong and the Company consider that it is appropriate for Mr. Fong to act as a Director because the relevant offence has no relevance to his character and integrity and was, according to Mr. Fong, an act of oversight. In particular, although Mr. Fong failed to file the disclosure form to the listed issuer, he did file the disclosure form to the Stock Exchange. The Company has enquired with Mr. Fong about the offence and conviction before his appointment, who confirmed to the Company that he had now gained the relevant knowledge and experience and would be able to comply with the statutory and regulatory requirements imposed on directors of listed companies.

As at 31 March 2021, Mr. Fong is interested in 349,068,000 Shares, representing approximately 5.41% of the total number of issued Shares.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Jiang Zhi (“Mr. Jiang”)**, aged 52, obtained a master degree (major in civil and commercial law) from Southwest University of Political Science & Law in Shenzhen, PRC in 2001. Mr. Jiang has been practising in various reputable law firms in Shenzhen since 1989. Mr. Jiang obtained PRC solicitors practising certificate and became a qualified lawyer in China in 1993. Mr. Jiang was previously a founder and currently a partner of Guangdong Jun Yan Law Firm from 2003 to August 2015. Mr. Jiang now is the partner of 廣東深信律師事務所. Mr. Jiang provides legal advice to many clients in different industries in the PRC. His practice areas include mainly contract law, real estate law, corporate law and medical law. Mr. Jiang has solid academic foundation and rich practical experience in those areas. Mr. Jiang was re-appointed as an arbitrator of the Qingyuan Arbitration Commission with hiring period from 1 June 2020 to 30 May 2022.

Mr. Jiang was appointed as an Independent Non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 19 January 2015.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Leung Ka Kui, Johnny (“Mr. Leung”)**, aged 64, holds a Bachelor of Laws of the University of London. Mr. Leung is a qualified solicitor in Hong Kong, England & Wales and Singapore, and is a Notary Public and China Appointed Attesting Officer. He has over 34 years of experience in legal field and is the senior partner of Messrs. Johnny K.K. Leung & Co., Solicitors & Notaries.

Mr. Leung is currently an independent non-executive director of Celestial Asia Securities Holdings Limited (Stock Code: 1049), the shares of which are listed on the Main Board of the Stock Exchange and Phoenitron Holdings Limited (Stock Code: 8066), the shares of which are listed on GEM of the Stock Exchange. Mr. Leung was formerly an independent non-executive director of Affluent Partners Holdings Limited (Stock Code: 1466, a Main Board listed company) for the period from 23 January 2019 to 30 September 2020, and an independent non-executive director of Asia Coal Limited (Stock Code: 835, a Main Board listed company) for the period from 12 September 2018 to 6 June 2019.

Mr. Leung was appointed as an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee on 9 October 2014.

**Ms. Wong Chui San, Susan (“Ms. Wong”)**, aged 48, has been a certified practising accountant of the Australian Society of Certified Practising Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 1999 and May 2000, respectively. She is also a member of The Society of Chinese Accountants and Auditors, a fellow and a certified tax adviser of the Taxation Institute of Hong Kong. Ms. Wong has more than 20-year experience in auditing, accounting and taxation. She is the founder of Messrs. C.S. Wong & Co..

Ms. Wong is currently an independent non-executive director of Loco Hong Kong Holdings Limited (Stock Code: 8162), a former chief financial officer and company secretary of Astrum Financial Holdings Limited (Stock Code: 8333, a GEM listed company) between 19 January 2015 and 31 August 2019.

Ms. Wong was appointed as an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee on 9 October 2014.

### COMPANY SECRETARY

**Ms. Li Wing Sze (“Ms. Li”)**, joined the Company in October 2010 and was appointed as the Company Secretary of the Company since January 2017. Ms. Li obtained a Bachelor of Arts (Honours) degree in Business Administration and Management from De Monfort University, England in 2006, and a Master of Science in Professional Accounting & Corporate Governance from City University of Hong Kong in 2009. Ms. Li had over 10 years of working experience in company secretarial field and was being appointed as the assistant company secretary of other listed companies of Hong Kong since as early as 2006. Ms. Li is an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators.

# CORPORATE GOVERNANCE REPORT

The Board is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of Shareholders and in long-term shareholders value.

## CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has complied with the Code Provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2021.

In the opinion of the Board, the Company has complied with the Code Provisions save for deviations as set out below:

### Code Provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The non-executive Director and independent non-executive Directors were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in accordance with the provisions of the Bye-laws. The management experience, expertise and commitment of the re-electing Directors will be considered by the Nomination Committee before their re-election proposals are put forward to Shareholders. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices regarding Directors’ appointment are no less exacting than those in the CG Code.

### Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting to gain and develop a balanced understanding of the views of shareholders. During the year ended 31 March 2021, the Company held one annual general meeting on 28 September 2020 (the “2020 AGM”). Certain executive Directors, non-executive Director and the independent non-executive Directors were unable to attend the 2020 AGM due to other business commitment. However, views expressed by shareholders at general meetings are recorded and circulated for discussion by all directors regardless of attendance. The Company will plan its dates of meetings in advance to facilitate Directors’ attendance.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group's senior management and persons who are privy to price sensitive information of the Group.

Having made specific enquiry, all Directors confirmed to the Company that they have complied with the Model Code during the year and up to the date of publication of this report.

## THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, oversees the Group's businesses and evaluate the performance of the Group. The Board also focuses on the overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the Executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Directors were supplied with adequate and relevant information in a timely manner to enable them to form informed decisions before all the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Agreed procedures are in place for the member of the Board and/or committee to seek independent professional advice at the Company's expenses to assist them to discharge their duties.

The Company's senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions. For Board meetings and the Board Committee meetings, the agenda accompanying with Board papers were sent to all Directors at least 3 days before the intended date of the Board meetings or Board Committee meetings.

### Board Composition

The Board currently consists of nine directors as follows:

#### Executive Directors

Mr. Wang Minghui (*Chairman*)  
 Mr. Chow Wang (*Deputy Chairman & Chief Executive Officer*)  
 Mr. Yin Pinyao  
 Mr. Chu Ka Wa (*Chief Financial Officer*)  
 Mr. Wang Zhaoqing (*Chief Operating Officer*)

#### Non-executive Director

Mr. Fong For

#### Independent Non-executive Directors

Mr. Jiang Zhi  
 Mr. Leung Ka Kui, Johnny  
 Ms. Wong Chui San, Susan

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS (CONTINUED)

### Board composition (Continued)

There is no financial, business, family or other material/relevant relationship among members of the Board.

The Board has a policy of appointing Directors with different professional background, industry experiences, skills, knowledge and background so as to bring in valuable contributions and advices for the development of the Group's business. Currently, three out of nine Directors are INEDs and one of them is a qualified accountant. Biographical details of the Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

At each annual general meeting, 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 provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. According to the Bye-laws, all newly appointed directors will hold office until the first general meeting after his/their appointment(s) and shall then be eligible for re-election.

### Chairman and Chief Executive Officer

Mr. Wang Minghui ("Mr. Wang") is the Chairman of the Board and Mr. Chow Wang ("Mr. Chow") is the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has the overall responsibility for leading the Company and providing leadership, vision and direction in the development of the business of the Company.

In the absence of the Chairman, the Deputy Chairman, Mr. Chow performed his role and presided at the meetings of the Directors.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of Company's policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains a constant dialogue with the Chairman and all the Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS (CONTINUED)

### Non-Executive Directors

All non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in line with the Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Company has received written confirmation from each of the independent non-executive Director of their independence to the Group. The Group considered all of the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

### Board Meetings

The Board held 4 meetings in the fiscal year. Prior notices and the agenda of the Board meetings were given to the Directors.

Directors may attend meetings in person or via telephone, electronic or other communication facilities. Minutes of the Board meetings and the Board Committees meetings are recorded in sufficient details and kept by the company secretary for inspection by Directors.

The Board holds meetings on a regular basis and will meet on other occasions when a board-level decision on a particular matter is required. The Board also monitors and controls financial performance in pursuit of the Group's strategic objectives. The attendance of each of the director at Board meetings, Committee meetings and annual/special general meetings held during the year ended 31 March 2021 is set out below.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual/Special General Meetings
Total numbers of meetings held during the year ended 31 March 2021	4	2	1	1	1
<b>Executive Directors:</b>					
Mr. Wang Minghui	3/4	N/A	1/1	N/A	0/1
Mr. Chow Wang	4/4	N/A	1/1	1/1	1/1
Mr. Yin Pinyao	3/4	N/A	N/A	N/A	0/1
Mr. Chu Ka Wa	4/4	N/A	N/A	1/1	1/1
Mr. Wang Zhaoqing	3/4	N/A	N/A	N/A	0/1
<b>Non-Executive Director:</b>					
Mr. Fong For	3/4	N/A	N/A	N/A	0/1
<b>Independent Non-executive Directors:</b>					
Mr. Jiang Zhi	3/4	2/2	1/1	1/1	0/1
Mr. Leung Ka Kui, Johnny	3/4	2/2	1/1	1/1	0/1
Ms. Wong Chui San, Susan	3/4	2/2	1/1	1/1	1/1

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS (CONTINUED)

### Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Training materials and regular updates were made available to the Directors to keep them abreast of the relevant rules and requirements, the topics of the training materials include, amongst others, inside information disclosure requirements under the SFO, continuing and connected transactions under Chapter 14A of the Listing Rules, and other relevant laws and the Listing Rules.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report;
- (f) to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives; and
- (g) to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems and review their effectiveness.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Company has set up three committees including the Audit Committee, the Nomination Committee and the Remuneration Committee, each Committee with its specific terms of reference as set out in the CG Code.

### Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in consistent with the CG Code for the purpose of making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the year ended 31 March 2021 included the following matters:

- i. reviewed and made recommendations to the Board the increment in remuneration packages for the year 2021 for all the Directors and senior management of the Company. The Remuneration Committee has considered factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- ii. reviewed and made recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- iii. ensured no director or any of his associated is involved in deciding his own remuneration; and
- iv. reviewed and made recommendations to the Board on the emolument policy of the employees of the Group on the basis of their merit, qualification and competence.

The details of the remuneration of the Directors are set out in note 11 to the consolidated financial statements.

The number of the Remuneration Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 March 2021 was set out in section headed "Board Meetings" above.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Remuneration Committee (Continued)

The Remuneration Committee currently consists of the following members:

#### Independent Non-executive Directors

Mr. Leung Ka Kui, Johnny (*Chairman*)

Mr. Jiang Zhi

Ms. Wong Chui San, Susan

#### Executive Directors

Mr. Chow Wang

Mr. Chu Ka Wa

### Nomination Committee

The Company has established the Nomination Committee with written terms of reference in consistent with the CG Code for the purpose of reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and identifying individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

Board diversity policy and nomination policy have been adopted to maintain the Board with a diversity of directors and with a nomination process of candidates respectively.

In addition, the shareholders have the power to nominate any person to become a director of the Company in accordance with the Bye-laws, the procedures for election of directors were published on the Company's website.

The work of the Nomination Committee during the year ended 31 March 2021 included the following matters:

- i. reviewed the Nomination Committee terms of reference and evaluated the above-named Directors' skills, qualifications, knowledge and experiences;
- ii. reviewed the composition of the Board in accordance with the measurable objective of the Board Diversity Policy; and
- iii. reviewed the a nomination policy to achieve the selection, appointment and re-appointment of the Directors.

The biographies of the above-named Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

The number of Nomination Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 March 2021 was set out in section headed "Board Meetings" above.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Board Diversity Policy

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the “Board Diversity Policy”) and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy on 29 November 2013.

The Board Diversity Policy was made with a view to achieving a sustainable and balanced development of the Company, of which, among others, selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, skills, professional experience, educational background and length of service. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board. The Board’s composition will be disclosed in the Corporate Governance Report annually.

#### Nomination Policy

With an aim to set out the criteria and process in relation to the selection, appointment and re-appointment of the Directors to guide the Nomination Committee, the Board has approved and adopted a nomination policy (the “Nomination Policy”) in January 2019 to assess the suitability of a candidate for directorship and make recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing directors to the Board.

The Nomination Committee shall consider the following criteria when they are evaluating and selecting candidates for directorships:

- a. character and integrity;
- b. professional qualifications, knowledge and skills and professional experience that are relevant to the Company’s business and corporate strategy;
- c. willingness to devote adequate time to discharge duties as a Board or committee member and other directorships and significant commitments;
- d. requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out therein;
- e. the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- f. such other perspectives appropriate to the Company’s business.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Nomination Policy (Continued)

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill the Board's casual vacancy in accordance with the following procedures:

- a. The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship.
- b. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and conduct reference check of each candidate (where applicable).
- c. The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.
- d. Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong.
- e. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.
- f. Pursuant to the Bye-laws, at each annual general meeting one-third of the directors of the Company 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 provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he/she retires. For all newly appointed directors who will hold office until the first general meeting of shareholders after his/their appointment(s) and shall then be eligible for re-election.
- g. A candidate is allowed to withdraw his/her candidacy at any time before the general meeting by serving a notice in writing to the Company.
- h. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the Board Diversity Policy and Nomination Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and Nomination Policy.

Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

#### Nomination Policy (Continued)

The Nomination Committee currently consists of the following members:

#### Independent Non-executive Directors

Mr. Jiang Zhi  
Mr. Leung Ka Kui, Johnny  
Ms. Wong Chui San, Susan

#### Executive Directors

Mr. Wang Minghui (*Chairman*)  
Mr. Chow Wang

### Audit Committee

The Company has established the Audit Committee with written terms of reference in consistent with the CG Code. The revised terms of reference are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is responsible for reviewing the Group's financial information and overseeing the Group's financial reporting system, risk management and internal control procedure. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel and records, and the power to liaise with external auditors and senior management. During the year ended 31 March 2021, the Audit Committee held 2 meetings and the work of the Audit Committee included the following matters:

- i. reviewed and discussed the terms of reference of the Audit Committee in order to be in line with the latest amendment of Listing Rules;
- ii. discussed with management the risk management framework, policies and procedures and ensure that they are in place to identify, assess, manage, control and report risks and draft a written risk management policy to monitor the Group's business objectives;
- iii. discussed with management the status of interim results for the six months ended 30 September 2020 and annual results for the year ended 31 March 2021;
- iv. reviewed and discussed with management the report of the risk management and internal control systems proposed by 灝天風險管理有限公司 TANDEM Risk Services Limited ("TANDEM"), an external control consultant to assess the internal control and risk management of the Company during the year ended 31 March 2021;
- v. reviewed and discussed with management and the external auditors regarding the financial statements for the year ended 31 March 2021 and management letter;
- vi. reviewed and discussed with management and the external auditors regarding the unaudited interim financial statements for the six months ended 30 September 2020 and management letter;
- vii. reviewed the effectiveness of internal control system;
- viii. reviewed the external auditors' statutory audit plan and engagement letter;
- ix. discussed with the management and ensured that the Board has conducted an annual review such that there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Audit Committee (Continued)

- x. recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors; and
- xi. reviewed and discussed the draft of the internal audit policy in order to monitor the Group's daily operation and carry out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

The number of the Audit Committee meetings held and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 March 2021 was set out in section headed "Board Meetings" above. The Group's report for the year ended 31 March 2021 has been reviewed by the Audit Committee.

The Audit Committee currently consists of the following three members, of which Ms. Wong Chui San, Susan is a certified public accountant:

### Independent Non-executive Directors

Ms. Wong Chui San, Susan (*Chairman*)

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

## Accountability and Audit

### Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

During the reporting year, the management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the Company's independent auditors are set out in the Independent Auditors' Report on pages 36 to 40.

### Risk Management and Internal Control

The management regularly assessed the effectiveness of the Company's risk management and internal control systems. In this regard, the Group has engaged external consultants to conduct a review on the risk management and internal control systems of the Group, covering operational procedures and including recommendations for improvement and strengthening of the risk management system and internal control systems of the Group. A report of the risk management and internal control systems prepared by the internal control consultant was submitted to the Audit Committee, with no significant control failings or weakness being identified by the internal control consultant during the review but with operational procedures and recommendations for areas of improvement and strengthening. In the light of the report, the Board considered that the risk management and internal control systems of the Group are effective and adequate.

The Group has put in place risk management framework, policies and procedures to identify, assess, manage, control and report risks including strategic, credit, operational (administrative, system, human resources, tangible and reputable), market, liquidity, legal and regulatory risks. Further, the Group has established policies and procedures regarding the publication of inside information setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (CONTINUED)

### Accountability and Audit (Continued)

#### Risk Management and Internal Control (Continued)

The Company acknowledged that it is the Board's responsibility to maintain risk management and internal control systems and to review their effectiveness, such systems being designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### Internal audit function

The Group also has internal audit function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An internal audit policy has been approved and adopted by the Board. According to internal audit policy, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via the Audit Committee afterwards.

## AUDITORS' REMUNERATION

The financial statements for the year ended 31 March 2021 have been audited by HLB Hodgson Impey Cheng Limited ("HLB"). Fee paid or payable to the auditors for audit service provided to the Group is approximately HK\$1,100,000. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors. During the financial year, there was no fee paid or payable to the auditors for non-audit services provided to the Group.

## COMPANY SECRETARY

Ms. Li Wing Sze ("Ms. Li"), the Company Secretary of the Company, is the full-time employee of the Company and has knowledge of the Company's affairs. Ms. Li is an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Ms. Li confirmed that for the year ended 31 March 2021, she has complied with Rule 3.29 of the Listing Rules and has confirmed that she has taken no less than 15 hours of relevant professional training. Ms. Li's biography is set out in the section of "Biographical Information of Directors and Senior Management" in this report.

## COMMUNICATION WITH SHAREHOLDERS

### Effective communication

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

### Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the general meetings were published on the website of the Stock Exchange as well as the Company's website.

### Dividend Policy

The Company adopts a dividend policy, taking into consideration all circumstances including the following factors before declaring or recommending dividends: (i) the current and projected financial performance of the Company; (ii) effective allocation of distributable retained earnings and reserves; (iii) the growth and investment opportunities; (iv) other macro and micro economic factors; and (v) other factors or events that the Board may consider relevant or appropriate from time to time. The payment of dividend is also subject to any restrictions under the applicable laws and the Bye-laws.

## SHAREHOLDERS' RIGHTS

### Convening extraordinary general meeting and putting forward proposals at Shareholder's meetings

Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

### Shareholders' Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are set out in the "Contact Us" section of the Company's website at <http://www.0030hk.com/news.php>.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group has from time to time endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection and to lead its reduction in greenhouse gas emissions that contribute to climate change. The Company will issue Environmental, Social and Governance Report in a separate manner and publish the report on the Company's website ([www.0030hk.com](http://www.0030hk.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

## CONSTITUTIONAL DOCUMENTS

The Bye-laws are available on the Company's website: [www.0030hk.com](http://www.0030hk.com) and the Stock Exchange's website: [www.hkexnews.hk](http://www.hkexnews.hk). No significant change is made to the Company's constitutional documents during the year.

# INDEPENDENT AUDITORS' REPORT



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

## TO THE SHAREHOLDERS OF BAN LOONG HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of Ban Loong Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 41 to 105, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

# INDEPENDENT AUDITORS' 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.

### Key audit matter

### How our audit addressed the key audit matter

#### Allowance for expected credit losses assessment of loan receivables

Refer to note 4, 6(b) and note 20 to the consolidated financial statements.

As at 31 March 2021, the Group's gross loan receivables amounted to HK\$538,113,869 (2020: HK\$518,384,664) and allowance for expected credit losses of loan receivables of HK\$11,873,611 (2020: HK\$1,059,044).

The allowance for expected credit losses of loan receivables represents the management's best estimates at the reporting date of expected credit losses under Hong Kong Financial Reporting Standard 9: Financial Instruments expected credit losses models.

Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:

- Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default;
- Criteria for determining whether or not there was a significant increase in credit risk or a default; and
- Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings.

We focus on this area due to the magnitude of the loan receivables and the significant estimates and judgement involved in determining the allowance for expected credit losses on the loan receivables.

Our procedures in relation to management's assessment on allowance for expected credit losses of loan receivables as at 31 March 2021 included but not limited to:

- Understanding and evaluating the key control procedures performed by management, including its procedures on periodic review on overdue receivables and the assessment of allowance for expected credit losses on the loan receivables;
- Understanding and evaluating the modelling methodologies for expected credit losses assessment, assessed the reasonableness of the model selection and key measurement parameters determination;
- For the historical information, discussing with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence;
- For forward-looking measurement, we assessing the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data; and
- Checking major data inputs used in the expected credit losses models on sample basis to the Group's record.

We found that the management judgement and estimates used to assess the recoverability of the loan receivables and determine the impairment provision to be supportable by available evidence.

## INDEPENDENT AUDITORS' REPORT

### OTHER INFORMATION

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

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

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

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

The directors 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

#### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

**Tien Sun Kit, Jack**

Practising Certificate Number: P07364

Hong Kong, 30 June 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$	2020 HK\$
Revenue	7	<b>1,216,714,366</b>	1,162,153,635
Cost of sales		<b>(1,120,319,204)</b>	(1,054,070,055)
Gross profit		<b>96,395,162</b>	108,083,580
Other income and gain	8	<b>1,713,658</b>	61,638
Net allowance for expected credit losses		<b>(11,375,238)</b>	(721,519)
Share of result of an associate	17	<b>(13,961)</b>	(149,827)
Selling and distribution expenses		<b>(2,418,259)</b>	(898,957)
Impairment on investment in an associate		<b>(214,289)</b>	–
General and administrative expenses		<b>(45,828,578)</b>	(41,287,842)
Finance costs	9	<b>(18,023,964)</b>	(4,984,168)
Profit before tax	10	<b>20,234,531</b>	60,102,905
Income tax expenses	13	<b>(7,024,278)</b>	(10,534,043)
Profit for the year		<b>13,210,253</b>	49,568,862
<b>Other comprehensive income/(expense) for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<b>16,048,429</b>	(13,794,531)
Other comprehensive income/(expense) for the year		<b>16,048,429</b>	(13,794,531)
Total comprehensive income for the year		<b>29,258,682</b>	35,774,331

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 HK\$	2020 HK\$
Profit/(loss) for the year attributable to:			
Owners of the Company		<b>13,207,234</b>	49,573,533
Non-controlling interests		<b>3,019</b>	(4,671)
		<b>13,210,253</b>	49,568,862
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		<b>29,255,663</b>	35,779,002
Non-controlling interests		<b>3,019</b>	(4,671)
		<b>29,258,682</b>	35,774,331
<b>Earnings per share</b>			
– Basic and diluted (HK cents)	14	<b>0.20</b>	0.77

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$	2020 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	15	2,361,718	3,350,687
Right-of-use assets	16	15,072,472	13,225,040
Investment in an associate	17	–	228,250
Loan receivables	20	303,191	562,274
Deferred tax assets	28	2,167,191	359,954
		<b>19,904,572</b>	17,726,205
<b>Current assets</b>			
Inventories	18	16,343,625	13,394,914
Trade receivables	19	7,561,423	22,800,777
Loan and interest receivables	20	529,709,844	531,302,686
Other receivables, deposits and prepayments	21	602,312,870	364,320,021
Amount due from a shareholder	22	15,535,030	10,425,788
Bank balances and cash	23	251,236,954	7,027,960
		<b>1,422,699,746</b>	949,272,146
<b>Current liabilities</b>			
Trade and other payables	24	28,186,258	45,638,191
Contract liabilities	25	33,866,293	23,683,820
Lease liabilities	16	8,186,810	8,313,293
Tax payable		10,091,657	14,357,969
Bonds	26	19,954,171	69,229,000
		<b>100,285,189</b>	161,222,273
Net current assets		<b>1,322,414,557</b>	788,049,873
Total assets less current liabilities		<b>1,342,319,129</b>	805,776,078

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$	2020 HK\$
<b>Capital and reserves</b>			
Share capital	29	64,481,522	64,481,522
Reserves		786,674,389	735,327,250
Equity attributable to owners of the Company		851,155,911	799,808,772
Non-controlling interests		923,228	920,209
Total equity		852,079,139	800,728,981
<b>Non-current liabilities</b>			
Lease liabilities	16	7,025,637	5,047,097
Convertible bond	27	478,709,119	–
Deferred tax liabilities	28	4,505,234	–
		490,239,990	5,047,097
		1,342,319,129	805,776,078

The consolidated financial statements on page 41 to 105 were approved and authorised for issue by the Board of Directors on 30 June 2021 and are signed on its behalf by:

**Chow Wang**  
Director

**Chu Ka Wa**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company								
	Share capital	Share premium	Capital redemption reserve	Convertible bond reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$	HK\$	HK\$	(Note 33) HK\$	(Note 33) HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2019	64,481,522	988,278,817	176,000	-	(404,817)	(288,501,752)	764,029,770	924,880	764,954,650
Profit/(loss) for the year	-	-	-	-	-	49,573,533	49,573,533	(4,671)	49,568,862
Other comprehensive expense for the year:									
Exchange differences arising on translating foreign operations	-	-	-	-	(13,794,531)	-	(13,794,531)	-	(13,794,531)
Total comprehensive (expense)/ income for the year	-	-	-	-	(13,794,531)	49,573,533	35,779,002	(4,671)	35,774,331
At 31 March 2020 and 1 April 2020	64,481,522	988,278,817	176,000	-	(14,199,348)	(238,928,219)	799,808,772	920,209	800,728,981
<b>Profit for the year</b>	-	-	-	-	-	<b>13,207,234</b>	<b>13,207,234</b>	<b>3,019</b>	<b>13,210,253</b>
<b>Other comprehensive income for the year:</b>									
<b>Exchange differences arising on translating foreign operations</b>	-	-	-	-	<b>16,048,429</b>	-	<b>16,048,429</b>	-	<b>16,049,429</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>16,048,429</b>	<b>13,207,234</b>	<b>29,255,663</b>	<b>3,019</b>	<b>29,258,682</b>
<b>Issue of convertible bond (Note 27)</b>	-	-	-	<b>27,782,297</b>	-	-	<b>27,782,297</b>	-	<b>27,782,297</b>
<b>Initial recognition of deferred tax liabilities from convertible bond (Note 28)</b>	-	-	-	<b>(5,690,821)</b>	-	-	<b>(5,690,821)</b>	-	<b>(5,690,821)</b>
At 31 March 2021	64,481,522	988,278,817	176,000	22,091,476	1,849,081	(225,720,985)	851,155,911	923,228	852,079,139

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK\$	2020 HK\$
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>20,234,531</b>	60,102,905
Adjustments for:			
Depreciation of property, plant and equipment	15	<b>1,289,938</b>	1,230,161
Depreciation of right-of-use assets	16	<b>9,180,059</b>	8,535,970
(Gain)/loss on disposal of property, plant and equipment	10	<b>(177,905)</b>	48,949
Allowance for expected credit losses on trade receivables	10	<b>24,787</b>	218,750
Reversal of allowance for expected credit losses on trade receivables	10	<b>(235,372)</b>	(428,421)
Allowance for expected credit losses on other receivables	10	<b>771,256</b>	225,084
Reversal of allowance for expected credit losses on other receivables	10	<b>–</b>	(34,135)
Allowance for expected credit losses on loan receivables	10	<b>11,153,999</b>	814,320
Reversal of allowance for expected credit losses on loan receivables	10	<b>(339,432)</b>	(74,079)
Impairment on interest in an associate		<b>214,289</b>	–
Finance costs	9	<b>18,023,964</b>	4,984,168
Bank interest income	8	<b>(142,875)</b>	(19,540)
Share of results of an associate	17	<b>13,961</b>	149,827
Operating cash flows before movements in working capital		<b>60,011,200</b>	75,753,959
Increase in inventories		<b>(2,948,711)</b>	(13,394,914)
Decrease in trade receivables		<b>16,275,152</b>	54,250,056
Increase in loan and interest receivables		<b>(8,962,642)</b>	(56,670,509)
Increase in other receivables, deposits and prepayments		<b>(208,610,748)</b>	(141,573,439)
(Decrease)/increase in trade and other payables		<b>(19,604,811)</b>	35,525,416
Increase in contract liabilities		<b>7,946,236</b>	8,673,827
Increase in amount due from a shareholder		<b>(5,109,242)</b>	(10,425,788)
Decrease in amount due from an associate		<b>–</b>	34,640
Cash used in operations		<b>(161,003,566)</b>	(47,826,752)
Tax paid		<b>(14,283,414)</b>	(1,573,520)
<b>Net cash used in operating activities</b>		<b>(175,286,980)</b>	(49,400,272)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$	2020 HK\$
<b>INVESTING ACTIVITIES</b>		
Bank interest received	142,875	19,540
Proceeds on disposal of property, plant and equipment	215,484	1,050,000
Increase in loans advanced to independent third parties	(10,949,778)	(176,321)
Purchases of property, plant and equipment	(292,745)	(1,807,917)
<b>Net cash used in investing activities</b>	<b>(10,884,164)</b>	<b>(914,698)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in loans advanced from independent third parties	–	(3,615,430)
Repayment of lease liabilities	(9,756,238)	(8,304,820)
Interest paid	(3,537,329)	(4,184,168)
Issue of convertible bonds, net of issuance expenses	493,292,470	–
Repayment of bonds	(50,000,000)	–
<b>Net cash generated from/(used in) financing activities</b>	<b>429,998,903</b>	<b>(16,104,418)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>243,827,759</b>	<b>(66,419,388)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>7,027,960</b>	<b>74,664,169</b>
Effect of foreign exchange rate changes	381,235	(1,216,821)
<b>Cash and cash equivalents at end of the year</b>	<b>251,236,954</b>	<b>7,027,960</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Yunnan Baiyao Group Co., Limited is the substantial shareholder of the Company. The address of its principal place of business is Room 2709-10, 27/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. Its ultimate holding company and immediate holding company are Yunnan Baiyao Group Co., Ltd, a company incorporated in PRC.

The principal activity of the Company is investment holding. The Group is principally engaged in money lending business, trading of goods and commodities and Cannabidiol (“CBD”) isolate.

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

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

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

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the current year for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	– Definition of Material
Amendments to HKFRS 3	– Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	– Interest Rate Benchmark Reform

The application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### New and Amendments to HKFRSs in issue but not yet effective

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

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

The principal accounting policies are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee; is exposed, or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

### Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) Subsidiaries (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

### Investment in an associate

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment in an associate (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### Revenue recognition

#### Revenue from contracts with customers

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

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

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

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

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

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

#### Sales of goods

Revenue from trading of goods and commodities are recognised at point in time when control of the asset is transferred to the customer, generally on delivery of the products.

#### Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and interest receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective interest rate of the instrument and continues unwinding the discount as interest income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

#### Definition of a lease

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

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

#### As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

#### Short-term leases and leases of low-value assets

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

#### Right-of-use assets

The cost of right-of-use asset includes:

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

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

#### Refundable rental deposits

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### As a lessee (Continued)

##### Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

##### Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### As a lessee (Continued)

##### Lease modifications (Continued)

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

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

### Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

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

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

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

### Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that is probable that taxable profit will be available against which those deductible temporary differences 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

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.

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.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred tax are recognised in profit or loss.

### 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.

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

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

### Cash and cash equivalents

Cash and short-term deposit in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Inventories

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

### Provisions

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

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

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gain".

### Segment reporting

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

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

### Financial Instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial Instruments (Continued)

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

### Financial assets

#### Classification and measurement of financial assets at amortised cost

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Amortised cost and interest income

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

#### Impairment of financial assets

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

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

For all other instruments, the Group measures the loss allowance equal to 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.

#### Significant increase in credit risk

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Significant increase in credit risk (Continued)

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

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

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

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

#### Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Credit-impaired financial assets

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

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

#### Write-off policy

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

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Measurement and recognition of ECL (Continued)

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by recognising the corresponding adjustments through respective loss allowance accounts.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

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

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

### Financial liabilities and equity instruments

#### Classification as financial liabilities or equity

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

#### Equity instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities and equity instruments (Continued)

#### Effective interest method

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

Interest expense is recognised on an effective interest basis.

#### Financial liabilities

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

#### Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, lease liabilities, bonds and convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

#### Convertible bond

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bond reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond reserve until the embedded option is exercised (in which case the balance stated in convertible bond reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bond reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities and equity instruments (Continued)

#### Derecognition

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

#### Impairment on tangible assets

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties

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

- (1) A person or entity is preparing the financial statements of the Group;
- (2) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (3) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. 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 (2).
  - (vii) A person identified in (2)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which is a part, provides key management personnel services to the Group or the Group's parent.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are 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.

### **Provision of ECL for trade, loan and interest and other receivables**

The Group's management determines the provision of ECL for trade receivables based on the ECL which uses a lifetime expected loss allowance for all trade receivables. For loan and interest receivables and other receivables, the provision of ECL is based on 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Management reassesses the provision at each reporting date. The provision of ECL is sensitive to changes in estimates. The information about the ECL for trade, loan and interest and other receivables are disclosed in Note 6.

### **Income taxes**

As at 31 March 2021, no deferred tax asset has been recognised in respect of tax losses amounting to HK\$7,359,165 (2020: HK\$13,836,695) due to the unpredictability of future profits streams. The realisability of deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where it is expected to have sufficient taxable profits against which to utilise the benefits of the temporary differences in the foreseeable future, certain amount of deferred tax asset may arise, which would be recognised in profit or loss for the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders and benefit to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bonds, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group structures its capital with due consideration to risk. The Group manages and adjusts its capital structure in the light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may repurchase shares of the Company, issue new shares, or increase or reduce borrowings.

The Group is not subject to externally imposed capital requirements.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2021 HK\$	2020 HK\$
<b>Financial assets</b>		
Financial assets at amortised cost	<b>840,438,969</b>	591,591,252
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<b>542,061,995</b>	128,227,581

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loan and interest receivables, other receivables and deposits, amount due from a shareholder, bank balances and cash, trade and other payables, lease liabilities, bonds and convertible bond. Details of the financial instruments are disclosed in respective notes.

The Group's investment policy is to prudently invest all funds of the Group in a manner which will satisfy liquidity requirements, safeguard financial assets, and manage risks while optimising return on investments.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS

### (b) Financial risk management objectives and policies (Continued)

#### Market risk

##### (i) Currency risk

All sales and purchases of the Group are denominated in the functional currency of the respective entities making the sales and purchases. Accordingly, the directors of the Company considered that the Group is not exposed to material transactional foreign currency risk. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's significant monetary asset (bank balances and cash) that is denominated in currency other than the functional currency of the respective entities holding the asset at the end of the reporting period is as follows:

	Assets	
	2021 HK\$	2020 HK\$
Renminbi ("RMB")	108,069	100,103
Hong Kong dollar ("HK\$")	1,548,973	–

#### Sensitivity analysis

The Group is mainly exposed to the currency of HK\$ and RMB.

The following table details the Group's sensitivity of 5% (2020: 5%) increase and decrease in functional currencies of the respective entities against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax loss and other equity where functional currencies of the respective entities strengthen/weakening 5% (2020: 5%) against the relevant currency.

	Profit after tax impact	
	2021 HK\$	2020 HK\$
RMB	4,512	4,179
HK\$	58,086	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the loan and interest receivables (see note 20), bonds (see note 26), convertible bond (note 27) and lease liabilities (see note 16). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

#### Sensitivity analysis

Management of the Group considers the interest rate risk for variable-rate bank balances are insignificant for the years ended 31 March 2021 and 2020. Hence, no sensitivity analysis is presented.

#### Credit risk

As at 31 March 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

#### Loan receivables

In order to minimise the credit risk arising from money lending business, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The team monitors customers' repayment ability, requests the customers to provide collaterals and reviews the fair value of the collaterals. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 4% (2020: 5%) of the total loan and interest receivables as at 31 March 2021 was due from the largest borrower from the money lending segment and 20% (2020: 21%) of the total loan and interest receivables as at 31 March 2021 was due from the five largest borrowers from the money lending segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 31 March 2020				
ECL rate	0.2%	–	–	0.2%
Gross carrying amount (HK\$)	518,384,664	–	–	518,384,664
Lifetime ECL	(1,059,044)	–	–	(1,059,044)
	517,325,620	–	–	517,325,620

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
<b>At 31 March 2021</b>				
ECL rate	<b>0.19%</b>	<b>1.16%</b>	<b>15.68%</b>	<b>2.21%</b>
Gross carrying amount (HK\$)	<b>366,363,869</b>	<b>108,500,000</b>	<b>63,250,000</b>	<b>538,113,869</b>
Lifetime ECL	<b>(697,519)</b>	<b>(1,260,362)</b>	<b>(9,915,730)</b>	<b>(11,873,611)</b>
	<b>365,666,350</b>	<b>107,239,638</b>	<b>53,334,270</b>	<b>526,240,258</b>

Movement of allowance for ECL is as follows:

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 1 April 2019	318,803	–	–	318,803
Allowance for ECL	814,320	–	–	814,320
Reversal of allowances for ECL	(74,079)	–	–	(74,079)
At 31 March 2020 and 1 April 2020	<b>1,059,044</b>	<b>–</b>	<b>–</b>	<b>1,059,044</b>
Transfer from 12m ECL	<b>(588,213)</b>	<b>454,433</b>	<b>133,780</b>	<b>–</b>
Allowance for ECL	<b>566,120</b>	<b>805,929</b>	<b>9,781,950</b>	<b>11,153,999</b>
Reversal of allowances for ECL	<b>(339,432)</b>	<b>–</b>	<b>–</b>	<b>(339,432)</b>
<b>At 31 March 2021</b>	<b>697,519</b>	<b>1,260,362</b>	<b>9,915,730</b>	<b>11,873,611</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Trade receivables

With respect of credit risk arising from trade receivables during the years ended 31 March 2021 and 2020, the Group's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good history of repayment. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 82% (2020: 46%) and 100% (2020: 99%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively at 31 March 2021.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

	Within 90 days HK\$	Total HK\$
<b>At 31 March 2020</b>		
ECL rate	1.02%	1.02%
Gross carrying amount (HK\$)	23,036,149	23,036,149
Lifetime ECL	(235,372)	(235,372)
	22,800,777	22,800,777
	<b>Within 90 days HK\$</b>	<b>Total HK\$</b>
<b>At 31 March 2021</b>		
ECL rate	<b>0.33%</b>	<b>0.33%</b>
Gross carrying amount (HK\$)	<b>7,586,210</b>	<b>7,586,210</b>
Lifetime ECL	<b>(24,787)</b>	<b>(24,787)</b>
	<b>7,561,423</b>	<b>7,561,423</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

#### Trade receivables (Continued)

Movement in the allowance for ECL of trade receivables

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach ECL, are as follows:

	HK\$
At 1 April 2019	445,043
Allowance for ECL	218,750
Reversal of allowance for ECL	(428,421)
At 31 March 2020 and 1 April 2020	<b>235,372</b>
Allowance for ECL	<b>24,787</b>
Reversal of allowance for ECL	<b>(235,372)</b>
At 31 March 2021	<b>24,787</b>

#### Other receivables

For other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions. The Group recognised impairment loss of HK\$771,256 (2020: HK\$225,084) in respect of other receivables for the year ended 31 March 2021. The expected credit loss rate for other receivables is 3.10% (2020: 1.69%). The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

The movement of loss allowance for ECL on other receivables is as follows:

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 1 April 2019	81,279	–	–	81,279
Allowance for ECL	225,084	–	–	225,084
Reversal of allowance of ECL	(34,135)	–	–	(34,135)
At 31 March 2020 and 1 April 2020	272,228	–	–	272,228
Allowance for ECL	771,256	–	–	771,256
Reversal of allowance of ECL	–	–	–	–
At 31 March 2021	1,043,484	–	–	1,043,484

#### Amount due from a shareholder

For amount due from a shareholder, the management of the Group makes periodic collective as well as individual assessment on the recoverability based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management, the management considers the ECL for amount due from a shareholder are insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Bank balances and cash

Credit risk on bank balances and cash is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances and cash by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances and cash is considered to be insignificant and therefore no loss allowance was recognised.

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than one year HK\$	Between one to five years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>At 31 March 2021</b>					
Non-derivative financial liabilities:					
Trade and other payables	-	28,186,258	-	28,186,258	28,186,258
Bonds (Note)	7.22	20,218,472	-	20,218,472	19,954,171
Lease liabilities	2.92	8,532,627	7,218,398	15,751,025	15,212,447
Convertible bond	6.8	-	511,261,339	511,261,339	478,709,119
		<b>56,937,357</b>	<b>518,479,737</b>	<b>575,417,094</b>	<b>542,061,995</b>
<b>At 31 March 2020</b>					
Non-derivative financial liabilities:					
Trade and other payables	-	45,638,191	-	45,638,191	45,638,191
Bonds (Note)	7.22	73,715,750	-	73,715,750	69,229,000
Lease liabilities	2.07	8,398,395	5,215,255	13,613,650	13,360,390
		<b>127,752,336</b>	<b>5,215,255</b>	<b>132,967,591</b>	<b>128,227,581</b>

Note: As at 31 March 2021, the aggregate undiscounted principal amount of the bonds amounted to HK\$20,000,000 (2020: HK\$70,000,000). The repayment obligations of the Company under the instruments of the bonds is guaranteed by Jun Qiao Limited ("Jun Qiao"). Under the terms of the subscription agreements in relation to the bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in all the mining assets held by Jun Qiao and its subsidiaries, including mining structure and plant and equipment, prepaid lease payment, mining right and reserves and exploration right, and prepayments for exploration and evaluation activities (the "Mining Assets") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the bonds, unless the consent of the majority of the bondholders is obtained. In addition, the holders of the bonds have the early redemption option to request for early redemption after the fourth anniversary of the issue date up to the maturity date. The directors of the Company considered that the Group does not have an unconditional right to defer settlement of the bonds for at least 12 months after the reporting period and hence classified the bonds as current liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (C) Fair value measurements of financial instruments

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

## 7. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

During the year, the Company commenced the business engaging in trading of CBD isolate and it is considered as a new operating and reporting segment by the CODM.

Specifically, the Group’s reporting and operating segments under HKFRS 8 are as follows:

- (i) Money lending segment engages in the provision of financing services;
- (ii) Trading segment engages in the trading of goods and commodities; and
- (iii) Trading segment engages in the trading of CBD isolate.

### Segment revenues and results

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

#### For the year ended 31 March 2021

	Money lending HK\$	Trading of goods and commodities HK\$	Trading of CBD isolate HK\$	Total HK\$
Revenue	87,780,178	1,126,176,789	2,757,399	1,216,714,366
Segment profit/(loss)	73,513,121	7,584,509	(8,623,878)	72,473,752
Unallocated corporate income and gain				1,393,690
Unallocated corporate expenses				(35,608,947)
Finance cost				(18,023,964)
Profit before tax				20,234,531

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenues and results (Continued)

For the year ended 31 March 2020

	Money lending HK\$	Trading of goods and commodities HK\$	Total HK\$
Revenue	89,701,100	1,072,452,535	1,162,153,635
Segment profit	88,956,531	13,051,614	102,008,145
Unallocated corporate income and gain			51,112
Unallocated corporate expenses			(36,972,184)
Finance cost			(4,984,168)
Profit before tax			60,102,905

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the current year (2020: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of directors' salaries, certain bank interest income included in other income and gain, gain/(loss) on disposal of property, plant and equipment, impairment on investment in an associate, certain general and administrative expenses, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

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

	2021 HK\$	2020 HK\$
<b>Segment assets</b>		
Money lending	614,186,861	534,227,942
Trading of goods and commodities	652,861,850	401,709,937
Trading of CBD isolate	5,499,655	–
Unallocated corporate assets	170,055,952	31,060,472
Consolidated assets	<b>1,442,604,318</b>	966,998,351
<b>Segment liabilities</b>		
Money lending	9,054,701	12,781,214
Trading of goods and commodities	54,562,885	69,770,783
Trading of CBD isolate	2,594,915	–
Unallocated corporate liabilities	524,312,678	83,717,373
Consolidated liabilities	<b>590,525,179</b>	166,269,370

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, convertible bond, bonds, deferred tax liabilities and certain lease liabilities which are managed on a group basis.

In measuring the Group's segment assets and liabilities, deferred tax assets of HK\$2,167,191 (2020: HK\$357,861) were allocated to money lending segment and no deferred tax asset (2020: HK\$2,093) was allocated to trading of goods and commodities segment. However, the relevant income tax expenses of HK\$7,024,278 (2020: HK\$10,534,043) was not included in the measurement of segment results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Other segment information

For the year ended 31 March 2021

	Money lending HK\$	Trading of goods and commodities HK\$	Trading of CBD isolate HK\$	Unallocated HK\$	Total HK\$
Amounts include in the measure of segment results or segment assets:					
Depreciation of property, plant and equipment	65,855	119,409	390,500	714,174	1,289,938
Depreciation of right-of-use assets	502,447	568,177	1,068,770	7,040,665	9,180,059
Additions to non-current assets (Note)	1,062,062	8,324	2,973,693	7,257,474	11,301,553
Bank interest income	-	16,481	215	126,179	142,875
Allowance for ECL on trade receivables	-	24,787	-	-	24,787
Reversal of allowance for ECL on trade receivables	-	(235,372)	-	-	(235,372)
Allowance for ECL on other receivables	366	770,890	-	-	771,256
Allowance for ECL on loan receivables	11,153,999	-	-	-	11,153,999
Reversal of allowance for ECL on loan receivables	(339,432)	-	-	-	(339,432)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Other segment information (Continued)

For the year ended 31 March 2020

	Money lending HK\$	Trading of goods and commodities HK\$	Unallocated HK\$	Total HK\$
Amounts include in the measure of segment results or segment assets:				
Depreciation of property, plant and equipment	55,378	354,345	820,438	1,230,161
Depreciation of right-of-use assets	503,378	1,560,432	6,472,160	8,535,970
Additions to non-current assets (Note)	–	1,055,793	13,408,022	14,463,815
Bank interest income	–	10,555	8,985	19,540
Allowance for ECL on trade receivables	–	218,750	–	218,750
Reversal of allowance for ECL on trade receivables	–	(428,421)	–	(428,421)
Allowance for ECL on other receivables	–	225,084	–	225,084
Reversal of allowance for ECL on other receivables	–	(34,135)	–	(34,135)
Allowance for ECL on loan receivables	814,320	–	–	814,320
Reversal of allowance for ECL on loan receivables	(74,079)	–	–	(74,079)

Note: Non-current assets excluded investment in an associate and deferred tax assets.

### Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major products and provision of services to external customers:

	2021 HK\$	2020 HK\$
Revenue from money lending	87,780,178	89,701,100
Revenue from trading of goods and commodities	1,126,176,789	1,072,452,535
Revenue from trading of CBD isolate	2,757,399	–
	<b>1,216,714,366</b>	1,162,153,635
Timing of revenue recognition		
At a point in time	1,128,934,188	1,072,452,535
Over-time	87,780,178	89,701,100
	<b>1,216,714,366</b>	1,163,153,635

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Please refer to note 3 for details of revenue recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Geographical information

The Group's operations are mainly located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets, excluding investment in an associate, is presented based on the geographical location of the assets.

	Hong Kong		PRC (excluding Hong Kong)		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>For the year ended 31 March</b>								
Segment revenue	<b>310,509,088</b>	300,946,205	<b>903,447,879</b>	859,969,804	<b>2,757,399</b>	1,237,626	<b>1,216,714,366</b>	1,162,153,635
<b>At 31 March</b>								
Non-current assets	<b>18,766,325</b>	16,310,931	<b>1,138,247</b>	1,187,024	-	-	<b>19,904,572</b>	17,497,955

### Information about major customers

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

	2021 HK\$	2020 HK\$
Customer A <sup>1</sup>	<b>675,656,836</b>	322,319,007
Customer B <sup>1</sup>	<b>N/A<sup>2</sup></b>	307,858,206

<sup>1</sup> Revenue from trading of goods and commodities.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 8. OTHER INCOME AND GAIN

	2021 HK\$	2020 HK\$
Bank interest income	142,875	19,540
Gain on disposal of property, plant and equipment	177,905	42,098
Wage subsidies from government (Note)	1,224,900	–
Others	167,978	–
	<b>1,713,658</b>	61,638

Note: During the current year, the Group recognised a government grant of HK\$1,224,900 relates to Employment Support Scheme in respect of COVID-19-related subsidies, provided by the Hong Kong Government.

## 9. FINANCE COSTS

	2021 HK\$	2020 HK\$
Effective interest expense on bonds (Note 26)	4,262,500	4,650,000
Effective interest expense on convertible bond (Note 27)	13,198,946	–
Interest on lease liabilities	562,518	334,168
	<b>18,023,964</b>	4,984,168

## 10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021 HK\$	2020 HK\$
Auditors' remuneration	1,100,000	1,300,000
Cost of inventories recognised as expense	1,120,319,204	1,054,070,055
Depreciation of right-of-use assets (Note 16)	9,180,059	8,535,970
Depreciation of property, plant and equipment (Note 15)	1,289,938	1,230,161
(Gain)/loss on disposal of property, plant and equipment	(177,905)	48,949
Allowance for ECL on trade receivables	24,787	218,750
Reversal of allowance for ECL on trade receivables	(235,372)	(428,421)
Allowance for ECL on other receivables	771,256	225,084
Reversal of allowance for ECL on other receivables	–	(34,135)
Allowance for ECL on loan receivables	11,153,999	814,320
Reversal of allowance for ECL on loan receivables	(339,432)	(74,079)
Employee benefit expenses	15,614,480	15,685,144
Expenses relating to short-term lease	196,800	132,800

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 11. EMPLOYEE BENEFIT EXPENSES

	2021 HK\$	2020 HK\$
Wages, salaries and other benefits (including directors' remunerations (Note (b)))	15,051,251	15,147,494
Retirement benefit costs (including directors' remunerations (Note (b))) – defined contribution schemes (Note (a))	563,229	537,650
	<b>15,614,480</b>	15,685,144

Notes:

- (a) No forfeited contribution was available at the end of the reporting period to reduce future contributions (2020: nil).
- (b) Directors' and chief executive's emoluments

The remunerations paid or payable of each to the 9 (2020: 9) directors, including the chief executive, were as follows:

For the year ended 31 March 2021	Executive directors					Non-executive director	Independent non-executive directors			Total HK\$
	Chow Wang* HK\$	Wang Zhaoqing HK\$	Chu Ka Wa HK\$	Wang Minghui* HK\$	Yin Pinyao* HK\$	Fong For HK\$	Leung Ka Kui HK\$	Wong Chui San, Susan HK\$	Jiang Zhi HK\$	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:										
Fee	-	-	-	-	-	254,400	254,400	254,400	254,400	1,017,600
Salaries	1,272,000	699,600	890,400	254,400	254,400	-	-	-	-	3,370,800
Contributions to retirement benefits schemes	18,000	18,000	18,000	13,160	13,160	-	-	-	-	80,320
Discretionary bonus (Note)	106,000	58,300	74,200	21,200	21,200	-	-	-	-	280,900
Total emoluments	1,396,000	775,900	982,600	288,760	288,760	254,400	254,400	254,400	254,400	4,749,620

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 11. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Notes: (Continued)

(b) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2020	Executive directors					Non-executive director	Independent non-executive directors			Total HK\$
	Chow Wang* HK\$	Wang Zhaoqing HK\$	Chu Ka Wa HK\$	Wang Minghui^ HK\$	Yin Pinyao^ HK\$	Fong For HK\$	Leung Ka Kui HK\$	Wong Chui San, Susan HK\$	Jiang Zhi HK\$	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:										
Fee	-	-	-	-	-	254,400	254,400	254,400	254,400	1,017,600
Salaries	1,320,789	705,350	900,158	140,627	140,627	-	-	-	-	3,207,551
Contributions to retirement benefits schemes	18,000	18,000	18,000	6,360	6,360	-	-	-	-	66,720
Discretionary bonus (Note)	106,000	58,300	74,200	6,447	6,447	-	-	-	-	251,394
<b>Total emoluments</b>	<b>1,444,789</b>	<b>781,650</b>	<b>992,358</b>	<b>153,434</b>	<b>153,434</b>	<b>254,400</b>	<b>254,400</b>	<b>254,400</b>	<b>254,400</b>	<b>4,543,265</b>

\* Mr. Chow Wang's emoluments disclosed above include those services rendered by him as the Chief Executive Officer.

^ Mr. Wang Minghui and Mr. Yin Pinyao were appointed as executive directors of the Company with effect from 12 September 2019.

There were no emoluments paid by the Group to any directors or the chief executive of the Group as compensation for loss of office for the years ended 31 March 2021 and 2020.

No emoluments were paid by the Group to any directors or the chief executive of the Group as an inducement to join or upon joining the Group for the years ended 31 March 2021 and 2020.

No director or the chief executive waived or agreed to waive his emoluments for the years ended 31 March 2021 and 2020.

Note: Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors and the chief executive of the Company whose emoluments are disclosed in (b) above. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 HK\$	2020 HK\$
Wages, salaries and other benefits	3,372,000	4,225,000
Contribution to retirement benefits schemes	54,000	54,000
	<b>3,426,000</b>	4,279,000

The emoluments were within the following band:

	Number of individuals	
	2021	2020
Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	1	2
	<b>3</b>	3

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 12. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 13. INCOME TAX EXPENSES

	2021 HK\$	2020 HK\$
Current tax:		
– Hong Kong Profits Tax	9,765,494	9,913,733
– PRC Enterprise Income Tax	251,608	719,346
Deferred tax (Note 28)	(2,992,824)	(99,036)
	<b>7,024,278</b>	10,534,043

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

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25% from 1 January 2008 onwards.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$	2020 HK\$
Profit before tax	20,234,531	60,102,905
Calculated at the rates applicable to profit in the tax jurisdiction concerned	2,550,055	10,154,728
Tax effect of share of loss of an associate	2,304	24,721
Tax effect of income not taxable for tax purpose	(359,601)	(109,051)
Tax effect of expenses not deductible for tax purpose	3,967,728	353,499
Statutory tax concession	(205,000)	(205,000)
Tax effect of tax losses not recognised	1,068,792	315,146
Income tax expenses	<b>7,024,278</b>	10,534,043

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2021 HK\$	2020 HK\$
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>13,207,234</b>	49,573,533
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>6,448,152,160</b>	6,448,152,160

For the year ended 31 March 2021, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bond since the conversion of the outstanding convertible bond would result in increase in earnings per share. There was no potential dilutive share in existence during the year ended 31 March 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK\$	Leasehold improvements HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Total HK\$
<b>COST</b>					
At 1 April 2019	6,050,693	2,683,362	415,752	944,754	10,094,561
Addition	732,524	989,100	53,103	33,190	1,807,917
Disposal	(1,945,945)	-	-	-	(1,945,945)
Exchange realignment	(95,340)	-	(3,294)	(24,343)	(122,977)
At 31 March 2020 and 1 April 2020	<b>4,741,932</b>	<b>3,672,462</b>	<b>465,561</b>	<b>953,601</b>	<b>9,833,556</b>
Addition	-	218,880	65,541	8,324	292,745
Disposal	(914,873)	-	-	-	(914,873)
Exchange realignment	199,268	-	26,057	127,989	353,314
<b>At 31 March 2021</b>	<b>4,026,327</b>	<b>3,891,342</b>	<b>557,159</b>	<b>1,089,914</b>	<b>9,564,742</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 April 2019	2,780,220	2,683,362	177,497	489,309	6,130,388
Provided for the year	888,469	192,022	103,240	46,430	1,230,161
Disposal	(846,996)	-	-	-	(846,996)
Exchange realignment	(23,909)	-	(2,354)	(4,421)	(30,684)
At 31 March 2020 and 1 April 2020	<b>2,797,784</b>	<b>2,875,384</b>	<b>278,383</b>	<b>531,318</b>	<b>6,482,869</b>
Provided for the year	725,586	390,500	107,325	66,527	1,289,938
Disposal	(877,294)	-	-	-	(877,294)
Exchange realignment	182,686	-	21,790	103,033	307,511
<b>At 31 March 2021</b>	<b>2,828,764</b>	<b>3,265,884</b>	<b>407,498</b>	<b>700,878</b>	<b>7,203,024</b>
<b>CARRYING VALUE</b>					
<b>At 31 March 2021</b>	<b>1,197,563</b>	<b>625,458</b>	<b>149,661</b>	<b>389,036</b>	<b>2,361,718</b>
At 31 March 2020	1,944,148	797,078	187,178	422,283	3,350,687

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Motor vehicles	6 years
Leasehold improvements	3 years or over the lease term, whichever is shorter
Computer equipment	3 years
Furniture and fixtures	3 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

### (a) Right-of-use assets

The Group's right-of-use assets comprise:

	<b>Leased properties</b>	
	HK\$	
<b>At 31 March 2021</b>		
Carrying amount	15,072,472	
<b>At 31 March 2020</b>		
Carrying amount	13,225,040	
<b>For the year ended 31 March 2021</b>		
Depreciation charge	9,180,059	
Additions	11,008,808	
<b>For the year ended 31 March 2020</b>		
Depreciation charge	8,535,970	
Additions	12,655,898	
	<b>2021</b>	2020
	<b>HK\$</b>	HK\$
Expense relating to short-term leases	<b>196,800</b>	132,800
Total cash outflow for leases (note (i))	<b>9,953,038</b>	8,771,788
Additions to right-of-use assets (note (ii))	<b>11,008,808</b>	12,655,898

Notes:

- (i) Amount includes payments of principal of HK\$9,193,720 (2020: HK\$8,304,820) and interest portion of HK\$562,518 (2020: HK\$334,168) of lease liabilities and short-term lease of HK\$196,800 (2020: HK\$132,800).
- (ii) Amount includes right-of-use assets resulting from renewal of lease.

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of one to three years. 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. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (CONTINUED)

### (b) Lease liabilities

	2021		2020	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	8,186,810	8,532,627	8,313,293	8,398,395
After 1 year but within 2 years	7,025,637	7,218,398	4,352,423	4,489,783
After 2 years but within 5 years	-	-	694,674	725,472
	7,025,637	7,218,398	5,047,097	5,215,255
	15,212,447	15,751,025	13,360,390	13,613,650
Less: total future interest expenses		(538,578)		(253,260)
Present value of lease obligations		15,212,447		13,360,390

The weighted average incremental borrowing rate applied to lease liabilities range from 1.64% to 3.39% (2020: from 1.64% to 2.71%).

## 17. INVESTMENT IN AN ASSOCIATE

Details of the Group's investment in an associate is as follows:

	2021 HK\$	2020 HK\$
Cost of investment in an associate	228,250	378,077
Share of result for the year	(13,961)	(149,827)
Impairment loss for the year	(214,289)	-
	-	228,250

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 17. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Details of the Group's associate at the end of each reporting period are as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributed to the Group		Principal activity
			2021	2020	
Era Blue Esports Limited	HK\$2,970,000	HK	<b>23.57%</b>	23.57%	Provision of esports services

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

	2021 HK\$	2020 HK\$
Current assets	<b>902,503</b>	903,053
Non-current assets	<b>6,656</b>	65,339
Revenue	–	1,825
Expenses	<b>(59,233)</b>	(637,493)
Loss and total comprehensive expense for the year	<b>(59,233)</b>	(635,668)

Reconciliation to the carrying amount of the Group's investment in an associate:

	2021 HK\$	2020 HK\$
Gross amount of the net asset of the associate	<b>909,159</b>	968,392
Group's effective interest	<b>23.57%</b>	23.57%
Group's share of net assets of the associate	<b>214,289</b>	228,250
Impairment loss for the year	<b>(214,289)</b>	–
Carrying amount in the consolidated financial statements	–	228,250

## 18. INVENTORIES

	2021 HK\$	2020 HK\$
Finished goods	<b>16,343,625</b>	13,394,914

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 March 2021 and have considered no write-down of obsolete inventories to be made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 19. TRADE RECEIVABLES

	2021 HK\$	2020 HK\$
Trade receivables	7,586,210	23,036,149
Less: Allowance for ECL	(24,787)	(235,372)
	<b>7,561,423</b>	22,800,777

Trade receivables are granted an average credit period of 90 days.

The following is an ageing analysis of the Group's trade receivables (before allowance for ECL) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2021 HK\$	2020 HK\$
0 – 90 days	7,586,210	23,036,149

At the end of the reporting period, none of the Group's trade receivables was past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collaterals for receivables above.

Details of impairment assessment are set out in Note 6.

## 20. LOAN AND INTEREST RECEIVABLES

	2021 HK\$	2020 HK\$
Loan receivables		
Secured	279,922,283	342,369,052
Unsecured	258,191,586	176,015,612
	<b>538,113,869</b>	518,384,664
Interest receivables	<b>3,772,777</b>	14,539,340
	<b>541,886,646</b>	532,924,004
Less: Allowance for ECL	(11,873,611)	(1,059,044)
	<b>530,013,035</b>	531,864,960

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 20. LOAN AND INTEREST RECEIVABLES (CONTINUED)

The maturity profile of the loan receivables (before allowance for ECL) at the end of the reporting period, analysed by the maturity date, is as follows:

	2021 HK\$	2020 HK\$
Within one year	537,810,678	517,822,390
Two to five years	303,191	562,274
	<b>538,113,869</b>	518,384,664
Carrying amount analysed for reporting purpose:		
Current assets	537,810,678	517,822,390
Non-current assets	303,191	562,274
	<b>538,113,869</b>	518,384,664

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 3 months to 5 years (2020: 30 days to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% (2020: 1% – 2.4%) per month, depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

The following is an aged analysis of loan and interest receivables, net of allowance of ECL, presented based on the dates which loans are granted to borrowers and interests are accrued.

	2021 HK\$	2020 HK\$
Within 90 days	169,410,827	284,275,687
91 – 180 days	112,377,087	71,538,755
181 – 365 days	157,423,447	175,194,594
Over 365 days	90,801,674	855,924
	<b>530,013,035</b>	531,864,960

The Group's financing advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements. At 31 March 2021 and 2020, all the loan and interest receivables are neither past due nor impaired and represented loans granted to creditworthy borrowers for whom there were no recent history of default.

Details of impairment assessment are set out in Note 6.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$	2020 HK\$
Other receivables (Note (i))	33,662,344	16,155,718
Deposit	3,473,667	3,588,277
Prepayments (Note (ii))	566,220,343	344,848,254
	<b>603,356,354</b>	364,592,249
Less: allowance for ECL	<b>(1,043,484)</b>	(272,228)
	<b>602,312,870</b>	364,320,021

Notes:

- (i) As at 31 March 2021, included in the balance was advances to suppliers and potential suppliers who are independent third parties in the amount of HK\$27,417,350 (2020: HK\$14,863,802) that are interest-free, unsecured and recoverable on demand.
- (ii) Included in the balance was prepayment to suppliers of HK\$564,826,401 (2020: HK\$344,005,557).

Details of impairment assessment are set out in Note 6.

## 22. AMOUNT DUE FROM A SHAREHOLDER

	Maximum amount outstanding during the year	2021 HK\$	2020 HK\$
Yunnan Baiyao Group Co., Limited	15,535,030	15,535,030	10,425,788

The amount due from a shareholder was unsecured, interest-free and recoverable on demand. Details of impairment assessment are set out in Note 6.

## 23. BANK BALANCES AND CASH

	2021 HK\$	2020 HK\$
Cash at banks and in hand	251,236,954	7,027,960

At 31 March 2021, cash and cash equivalents denominated in RMB of HK\$7,951,516 (2020: HK\$1,510,780) are located in PRC. RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Bank balance and cash were denominated in the following currencies:

	2021 HK\$	2020 HK\$
RMB	8,060,329	1,610,882
HKD	242,893,706	5,118,381
Others	282,919	298,697
	<b>251,236,954</b>	7,027,960

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 24. TRADE AND OTHER PAYABLES

	2021 HK\$	2020 HK\$
Trade payables (Note)	<b>15,536,915</b>	42,556,625
Other payables and accrued charges	<b>12,649,343</b>	3,081,566
	<b>28,186,258</b>	45,638,191

Note: The credit period for trade payables ranging from 45 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2021 HK\$	2020 HK\$
0 to 30 days	<b>9,157,356</b>	26,082,596
31 to 60 days	<b>5,014,980</b>	12,736,358
61 to 90 days	<b>1,364,579</b>	3,737,671
	<b>15,536,915</b>	42,556,625

## 25. CONTRACT LIABILITIES

The following provides information about contract liabilities from contract with customers:

	HK\$
At 1 April 2019	<b>15,009,993</b>
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	<b>(15,009,993)</b>
Increase in contract liabilities excluding amounts recognised as revenue during the year	<b>23,683,820</b>
At 31 March 2020 and 1 April 2020	<b>23,683,820</b>
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	<b>(23,683,820)</b>
Increase in contract liabilities excluding amounts recognised as revenue during the year	<b>33,866,293</b>
At 31 March 2021	<b>33,866,293</b>

The contract liabilities represent deposits received from customers for trading of goods and commodities in advance, this will give rise to contract liabilities until the revenue is recognised. The amount of contract liabilities as at 31 March 2021 is expected to be recognised as revenue within twelve months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 26. BONDS

As at 31 March 2021, the Group has unsecured bonds with aggregate principal of HK\$20,000,000 (2020: HK\$70,000,000) with the following major terms:

Issue price:	100% of the principal amount
Interest:	5.5% per annum payable semi-annually in arrear
Maturity:	7 years from date of issuance unless early redeemed
Early redemption options:	<ul style="list-style-type: none"> <li>- The holder can request for early redemption after the fourth anniversary of the issue date up to the maturity date at a redemption amount of 80% of the outstanding principal; and</li> <li>- The Group can early redeem the bonds after the fifth anniversary of the issue date up to the maturity date at a redemption amount of 100% of the outstanding principal.</li> </ul>

The movements of the bonds are set out below:

	2021 HK\$	2020 HK\$
Carrying amount at the beginning of the year	69,229,000	68,429,000
Effective interest charge for the year (Note 9)	4,262,500	4,650,000
Principal paid	(50,000,000)	-
Interest paid	(3,537,329)	(3,850,000)
Carrying amount at the end of the year	19,954,171	69,229,000
Less: Bonds repayable after one year shown under non-current liabilities	-	-
Current portion	19,954,171	69,229,000

The Company's bonds carry interest at effective interest rate of 7.22% (2020: 7.22%) per annum.

Note: The repayment obligations of the Company under the instruments of the bonds is guaranteed by Jun Qiao. Under the terms of the subscription agreements in relation to the bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the Mining Assets and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the bonds, unless the consent of the majority of the bondholders is obtained. Due to the purported transfer of 90% equity of Yin Di Mining to Henan Guiyuan and related incidents as disclosed in the Company's announcements dated 15 January 2017, 22 January 2017 and 1 February 2017, the Company de-consolidated the De-consolidated Subsidiaries. In addition, the holders of the bonds have the early redemption option to request for early redemption after the fourth anniversary of the issue date up to the maturity date. The directors of the Company considered that the Group does not have an unconditional right to defer settlement of the bonds for at least 12 months after the reporting period and hence classified the bonds as current liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 27. CONVERTIBLE BOND

As at 31 March 2021, the total number of issued ordinary shares (the “Shares”) of the Company was 6,448,152,160 shares (2020: 6,448,152,160 shares).

The Company entered into the subscription agreement with Yunnan Baiyao Group Co., Ltd. (“Yunnan Baiyao Group”) on 14 October 2019. Pursuant to the subscription agreement and the supplemental subscription agreements, the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., the convertible bond.

The completion of the subscription took place on 30 October 2020 in accordance with the terms and conditions of the subscription agreement. The principal amount was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the convertible bond have been issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the convertible bond on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the convertible bond.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the full conversion of the convertible bond, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the convertible bond, representing: (a) approximately 30.05% of the existing issued share capital of the Company; and (b) approximately 23.11% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 Conversion Shares.

At initial recognition the equity component of the convertible bond was separated from the liability component. The equity element is presented in equity heading “convertible bond reserve”. The effective interest rate of the liability component is 6.80%.

The valuation of the convertible bond was performed by Valplus Consulting Limited.

	HK\$
Issue of convertible bond at 30 October 2020	493,292,470
Less: Liability component	(465,510,173)
Equity component on initial recognition at 30 October 2020	27,782,297

The movement of the liability component of the convertible bond is set out below:

	Liability component HK\$
Carrying amount at 30 October 2020	465,510,173
Effective interest expenses (Note 9)	13,198,946
Carrying amount at 31 March 2021	478,709,119

The interest expenses for the year are calculated by applying an effective interest rate of 6.80% to the liability component for 2-year period since the convertible bond were issued.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 28. DEFERRED TAX TAXATION

	2021 HK\$	2020 HK\$
Deferred tax assets	2,167,191	359,954
Deferred tax liabilities	(4,505,234)	–

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Allowance for ECL on trade receivables and loan receivables HK\$	Depreciation in excess of the related depreciation allowances HK\$	Total HK\$
At 1 April 2019	53,130	207,788	260,918
Credited/(charged) to profit or loss (Note 13)	124,419	(25,383)	99,036
At 31 March 2020 and 1 April 2020	177,549	182,405	359,954
Credited to profit or loss (Note 13)	1,781,591	25,646	1,807,237
<b>At 31 March 2021</b>	<b>1,959,140</b>	<b>208,051</b>	<b>2,167,191</b>

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Convertible bond HK\$
At 31 March 2020 and 1 April 2020	–
Initial recognition of deferred tax liabilities from convertible bond	(5,690,821)
Credited to profit or loss (Note 13)	1,185,587
<b>At 31 March 2021</b>	<b>(4,505,234)</b>

At the end of the reporting period, the Group has unused tax losses of HK\$7,359,165 (2020: HK\$13,836,695) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. SHARE CAPITAL

	2021		2020	
	No. of shares	Amount HK\$	No. of shares	Total HK\$
Authorised:				
Ordinary shares of HK\$0.01 each	20,000,000,000	200,000,000	20,000,000,000	200,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At beginning and end of the year	6,448,152,160	64,481,522	6,448,152,160	64,481,522

## 30. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) approved by the shareholders at an annual general meeting of the Company held on 30 September 2013 (the “Adoption Date”). Under the Share Option Scheme, the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares (“Shares”) in the Company subject to the terms and conditions stipulated therein.

Details of the Share Option Scheme are as follows:

### (i) Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions and potential contributions which the participants have made or may make to the Group and to motivating the participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the participants whose contributions are or will be beneficial to the long term growth of the Group.

### (ii) Participants

The directors of the Company may, at their discretion, invite any participant (“Participant”) including any executive director, non-executive director or employee (whether full time or part time), consultant, contractor to the Group or any entity in which any member of the Group holds any interest (“Invested Entity”).

### (iii) Maximum number of shares

#### (1) 30% Limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company must not exceed 30% of the Shares in issue from time to time (the “Scheme Limit”).

#### (2) 10% Limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the “Scheme Mandate Limit”).

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to Participants specifically identified.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 30. SHARE OPTION SCHEME (CONTINUED)

### (iv) Maximum Entitlement of Each Participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% (0.1% for any director, chief executive or substantial shareholder) of the Shares in issue. Where any further grant of options to a 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% (0.1% for any director, chief executive or substantial shareholder) of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

### (v) Price of Shares

The exercise price must be at least the higher of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

### (vi) Amount payable upon acceptance of the option

HK\$1.00 is payable by each participant to the Company on acceptance of an offer of an option, which shall be paid within 21 days from the date of offer.

### (vii) Time of Exercise of Option

An option shall be exercisable at any time during a period to be notified by the directors of the Company to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no performance target which must be achieved before an option can be exercised.

### (viii) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date.

No share option has been granted, exercised or lapsed under the Share Option Scheme during the year ended 31 March 2021 (2020: nil).

There is no outstanding option as at 31 March 2021 (2020: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material transactions with related parties:

	2021 HK\$	2020 HK\$
Purchases of plant extracts from related companies (Note (i))	11,267,694	904,800
Short-term employee benefits (Note (ii))	4,749,620	4,543,265

Notes:

- (i) During the year ended 31 March 2020, Wan Long Xing Ye (a wholly-owned subsidiary of the Company) entered into a supply agreement with Yunnan Baiyao Holdings Ltd ("Yunnan Baiyao"). Pursuant to the agreement, Yunnan Baiyao and its subsidiaries (collectively referred to as "Yunnan Baiyao Group") shall sell/provide the following to Wan Long Xing Ye: (i) supply of plant extracts; (ii) provision of ancillary testing, logistics, import and export and related services as part of the Group's ordinary and usual course of business, commencing from 1 May 2019 and up to 31 March 2022. Further details of these continuing connected transactions were set out in the section headed "Connected Transactions" under the Report of the Directors.
- (ii) The Directors are identified as the key management personnel of the Company, and their compensations during the year is set out in Note 11.

## 32. RETIREMENT BENEFITS PLANS

### Hong Kong

The Group participates in the MPF Scheme. Where staff are eligible to the MPF Scheme, both the Group and staff are required to contribute 5% of the employees' relevant income, capped at HK\$1,500 per month from each party. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions. Staff may elect to contribute more than the minimum as a voluntary contribution.

The total contribution to the MPF scheme charged to consolidated statement of profit or loss was HK\$368,287 (2020: HK\$336,904).

### The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. All employees of the Group in the PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

The total contribution to defined contribution retirement scheme organised by the government in the PRC charged to profit or loss was HK\$194,942 (2020: HK\$200,746).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 33. RESERVES

The following describes the nature and purpose of each reserve within owners' equity:

Exchange reserve	Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3.
Convertible bond reserve	The convertible bond reserve represents the equity component of convertible bond issued by the Company. Items included in convertible bond reserve will not be reclassified subsequently to profit or loss.

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

### (a) Statement of Financial Position

As at 31 March 2021

	2021 HK\$	2020 HK\$
<b>Non-current assets</b>		
Property, plant and equipment	1,231,004	1,921,183
Right-of-use assets	11,571,869	11,357,845
Investments in subsidiaries	240,311,640	204,660,860
	<b>253,114,513</b>	217,939,888
<b>Current assets</b>		
Other receivables, deposits and prepayments	3,235,795	3,421,035
Amounts due from subsidiaries	850,347,697	569,252,029
Amount due from a shareholder	15,535,030	10,413,979
Bank balances and cash	135,177,651	705,813
	<b>1,004,296,173</b>	583,792,856
<b>Current liabilities</b>		
Amounts due to subsidiaries	3,696,233	2,493,707
Other payables	9,421,251	3,000,000
Bonds	19,954,171	69,229,000
Lease liabilities	6,647,147	6,545,653
	<b>39,718,802</b>	81,268,360
<b>Net current assets</b>	<b>964,577,371</b>	502,524,496
<b>Total assets less current liabilities</b>	<b>1,217,691,884</b>	720,464,384

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

### (a) Statement of Financial Position (Continued)

As at 31 March 2021

	2021 HK\$	2020 HK\$
<b>Capital and reserves</b>		
Share capital (Note 29)	64,481,522	64,481,522
Reserve (Note 34(b))	664,951,253	651,070,142
	<b>729,432,775</b>	715,551,664
<b>Non-current liabilities</b>		
Lease liabilities	5,044,756	4,912,720
Convertible bond	478,709,119	–
Deferred tax liabilities	4,505,234	–
	<b>488,259,109</b>	4,912,720
	<b>1,217,691,884</b>	720,464,384

The financial statements were approved and authorised for issue by the board of directors on 30 June 2021 and are signed on its behalf by:

**Chow Wang**  
Director

**Chu Ka Wa**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

#### (b) Reserve

	Share premium	Capital redemption reserve	Convertible bond reserve (Note 27)	Accumulated losses	Total reserves
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2019	988,278,817	176,000	–	(348,337,352)	640,117,465
Profit and total comprehensive income for the year	–	–	–	10,952,677	10,952,677
At 31 March 2020 and 1 April 2020	<b>988,278,817</b>	<b>176,000</b>	<b>–</b>	<b>(337,384,675)</b>	<b>651,070,142</b>
Loss and total comprehensive expense for the year	–	–	–	(8,210,365)	(8,210,365)
Issue of convertible bond (Note 27)	–	–	27,782,297	–	27,782,297
Initial recognition of deferred tax liabilities from convertible bond (Note 28)	–	–	(5,690,821)	–	(5,690,821)
<b>At 31 March 2021</b>	<b>988,278,817</b>	<b>176,000</b>	<b>22,091,476</b>	<b>(345,595,040)</b>	<b>664,951,253</b>

### 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amount of loans advanced from independent third parties	Bonds	Lease liabilities	Convertible bond	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2019	3,615,430	68,429,000	–	–	72,044,430
Adjustment on HKFRS16	–	–	9,173,502	–	9,173,502
Financing cash flow	(3,615,430)	(3,850,000)	(8,638,988)	–	(16,104,418)
Other non-cash movements:					
Finance costs (Note 9)	–	4,650,000	334,168	–	4,984,168
Additions to lease liabilities	–	–	12,655,898	–	12,655,898
Exchange realignment	–	–	(164,190)	–	(164,190)
At 31 March 2020 and 1 April 2020	<b>–</b>	<b>69,229,000</b>	<b>13,360,390</b>	<b>–</b>	<b>82,589,390</b>
Financing cash flow	–	(53,537,329)	(9,756,238)	493,292,470	429,998,903
Other non-cash movements:					
Equity component on issue of convertible bonds (Note 27)	–	–	–	(27,782,297)	(27,782,297)
Finance costs (Note 9)	–	4,262,500	562,518	13,198,946	18,023,964
Additions to lease liabilities	–	–	11,008,808	–	11,008,808
Exchange realignment	–	–	36,969	–	36,969
<b>At 31 March 2021</b>	<b>–</b>	<b>19,954,171</b>	<b>15,212,447</b>	<b>478,709,119</b>	<b>513,875,737</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 36. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ register capital	Proportion ownership interests held by the Company		Principal activities
			Directly	Indirectly	
Ban Loong Finance Company Limited	Hong Kong	HK\$100	100.00% (2020: 100.00%)	-	Money lending
Wan Long Xing Ye Commercial Trading (Shenzhen) Limited** (萬隆興業商貿(深圳)有限公司)	The PRC	HK\$225,000,000	100.00% (2020: 100.00%)	-	Trading of goods and commodities
Wan Long Xing Ye Commercial Trading (Hong Kong) Limited	Hong Kong	HK\$100	100.00% (2020: 100.00%)	-	Trading of goods and commodities
Ban Loong Hemp Technology Limited	Hong Kong	HK\$100	100.00% (2020: 100.00%)	-	Trading of CBD isolate
BL Organic 株式會社	Japan	JPY15,112,760	100.00% (2020: 100.00%)	-	Trading of CBD isolate

Notes:

- \* The entity is foreign-investment enterprise
- # The English name is for identification purpose only

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

As at 31 March 2021 and 2020, the Group has no subsidiary with material non-controlling interest hence no separate disclosure of its financial information.

## 37. LITIGATION

The Company has previously engaged, Messrs. Lawrence Chan & Co. ("Plaintiff"), law firm, for the provision of various professional services.

On 7 January 2021, the Plaintiff issued legal proceedings against the Company by way of indorsement of claim to claim for payment of alleged outstanding legal fees in the total sum of HK\$7,596,252. As at the reporting date, the case is still in progress and the Company had made the provision for the litigation in the amount of HK\$7,596,252.

## 38. MAJOR NON-CASH TRANSACTION

During the current year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$11,008,808 (2020: HK\$12,655,898) and HK\$11,008,808 (2020: HK\$12,655,898), respectively, in respect of lease arrangements for office premises.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 39. EVENTS AFTER THE REPORTING PERIOD

- (i) The Group is in the progress of preparing for its entry into the hemp cultivation industry and setting up its hemp cultivation plantation. On 23 April 2021, the Company entered into a non-legally binding memorandum of understanding with Yunnan Baiyao Group, to establish a joint venture company (“JV Company”) which will be engaged in relevant businesses in the value chain and supply chain of industrial hemp.

Subject to compliance with the relevant PRC laws and regulations, the Company agreed to and to procure its subsidiaries to, be in charge and responsible for the overall coordination of all significant matters involved in the industrial hemp cultivation, including conducting research and making decision on the type of industrial hemp to be cultivated and the demand, formulating the overall timetable for the industrial hemp cultivation, carrying out the maintenance of the plantation and the equipment, conducting the overall sale and promotion of industrial hemp products and employing relevant personnel for the implementation of the aforesaid in the JV Company. Yunnan Baiyao Group agreed to and to procure its subsidiaries to, provide assistance to the JV Company in the hemp cultivation activities according to the instructions provided by the Group, including providing assistance in the production and preparation of industrial hemp raw materials, assisting in the allocation of facilities, operation, and the overall management of resources in order to complete the industrial hemp cultivation, assisting in the introduction of other types of hemp seeds for research and development purpose, producing and developing the end products that contain cannabinoids and industrial hemp, providing support for the marketing of related products, and ensuring that all industrial hemp planting and related activities are carried out with relevant approval, licence and permit and complying with the relevant PRC laws and regulations.

The Company and Yunnan Baiyao Group were consulting legal advisers for the terms and conditions of the proposed formation of the JV Company and the definitive agreement. Further announcement shall be made as and when appropriate.

Details were set out in the Company’s announcement dated 26 April 2021.

- (ii) During the period between 14 November 2017 and 8 June 2020, Ban Loong Finance Company Limited (a wholly-owned subsidiary of the Company, the “Lender”) has granted loans in the aggregate principal amount of HK\$94.0 million (the “Loans”) to five independent borrowers (the “Borrowers”).

The Lender has negotiated with the Borrowers and a final grace period of 14 days has been given to the Borrowers for repayment of the Loans. The Company is seeking legal advice as to how to further protect its interest in connection with the above. Further announcement shall be made as and when applicable.

Details were set out in the Company’s announcement dated 29 June 2021.

## 40. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform with current year’s presentation.

## 41. APPROVAL AND AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2021.

## FIVE-YEAR FINANCIAL SUMMARY

	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Revenue	299,259	767,607	910,082	1,162,154	<b>1,216,714</b>
Profit/(loss) before tax	(196,424)	(184)	51,916	60,103	<b>20,234</b>
Income tax expenses	(2,661)	(1,310)	(7,648)	(10,534)	<b>(7,024)</b>
Profit/(loss) after tax	(199,085)	(1,494)	44,268	49,569	<b>13,210</b>
Profit/(loss) attributable to shareholders	(197,882)	(1,466)	44,272	49,574	<b>13,207</b>
Earnings/(loss) attributable to shareholders per share	(6.04) HK cents	(0.03) HK cents	0.76 HK cents	0.77 HK cents	<b>0.20 HK cents</b>
<b>ASSETS AND LIABILITIES</b>					
Total assets	460,938	737,703	868,646	966,998	<b>1,442,604</b>
Current liabilities	(116,616)	(181,108)	(103,691)	(161,222)	<b>(100,285)</b>
Total assets less current liabilities	344,322	556,595	764,955	805,776	<b>1,342,319</b>
Shareholders' fund	344,729	556,132	764,030	799,809	<b>859,438</b>
Provision for reinstatement costs, deferred tax liabilities, bonds and convertible bonds	66,829	67,629	68,429	69,229	<b>503,168</b>
Funds employed	411,558	623,761	832,459	869,038	<b>1,362,606</b>
Return on average shareholders' fund (%)	(574)	(2.6)	5.8	5.8	<b>1.0</b>
Dividends per share	–	–	–	–	–