国联通信
Global Link

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國聯通信控股有限公司
Global Link Communications Holdings Limited
(Incorporated in the Cayman Islands with Limited Liability)

年報 2019/20
ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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Mr. Ma Yuanguang *(Chief Executive Officer)*
Mr. Wong Kin Wa

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Kwok Keung
Mr. Cheung Sai Ming
Mr. Liu Chun Bao

AUTHORIZED REPRESENTATIVES

Mr. Li Kin Shing
Mr. Wong Kin Wa

COMPLIANCE OFFICER

Mr. Wong Kin Wa

COMPANY SECRETARY

Ms. Chan Wai Ching

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Mr. Leung Kwok Keung
Mr. Liu Chun Bao

REMUNERATION COMMITTEE

Mr. Cheung Sai Ming *(Chairman)*
Mr. Wong Kin Wa
Mr. Liu Chun Bao

NOMINATION COMMITTEE

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STOCK CODE

8060

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Global Link Communications Holdings Limited (the "Company"), I would like to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 for shareholders' review.

During the reporting year, the trade tension between China and the US was still in a difficult time, resulting in significant uncertainties and unpredictability for the global economy. In such severe internal and external economic environment, various activities of Chinese economy were carried out as per the pre-determined plan.

In September 2019, according to the "Outline for the Construction of National Strength in Transportation" issued by CPCCC and the State Council, by 2035, a modern and comprehensive transportation system will have basically taken shape and the capability to support the country's modernization will have been significantly enhanced; there will have been a developed fast network, a sound trunk network and an extensive basic network, and the coordinated development of transportation in urban and rural areas will have reached new heights; a "national 123 transportation circle" (one-hour commute in urban areas, two-hour travel between the cities of a conurbation, and three-hour reachability of major cities nationwide) will have been basically established; the development level of intelligent, secure, green, and shared transportation will have been obviously improved. As an important part of the development of a comprehensive transportation network, rail transport has played a key role in the long-term stable development of the national economy.

Guangzhou Global Link Communications Inc. ("Guangzhou Global Link"), a subsidiary of the Company, remained being principally engaged in providing overall solutions for rail transit information systems. With its over ten years of cooperation relationship with train manufactures under CRRC Group and subway operators of major central cities, Guangzhou Global Link continuously explored the overseas and domestic markets and generated stable revenue through continuing product technology innovation and uninterrupted operation and maintenance services.

During the reporting year, impacted by the outbreak of the novel coronavirus pneumonia epidemic (the "COVID-19"), as Guangzhou Global Link provides its products and services in Wuhan, China and overseas countries and regions such as Malaysia, Pakistan and Turkey, Guangzhou Global Link faced unprecedented challenges in respect of its operation and service provision. Under the guidance of a series of policies on epidemic prevention and control issued by the central government and local governments of China, the Company's management repeatedly studied, carefully designed and developed relevant management and appraisal measures in a timely manner. On the premise of protecting the safety of the staff, on 10 February 2020, the Company's management took the lead in the resumption of work and production. The Company would adjust the operational arrangements based on the actual conditions of various regions in a timely manner and has taken a number of relevant measures, striving to minimize the adverse impacts on the production and operation of the company arising from the COVID-19. During the COVID-19, Guangzhou Global Link has over 20 employees in Wuhan and around 10 employees in overseas regions and as at the date of this report, none of them has been infected.

In 2020, the national railway and urban transit investment will remain at a relatively high level. According to statistics from China Association of Metros, provinces including Jiangsu, Shanxi, Fujian, Jiangxi, Yunnan, Guizhou, Guangxi, Hunan and cities including Tianjin, Shijiazhuang and Shenzhen have successively announced investments in major projects for 2020, which include a total of 151 railway and urban transit new construction and continued construction (including renewal and improvement) projects, showing urban rail transit as an important direction of national infrastructure investment.

CHAIRMAN'S STATEMENT

Due to the tremendous potential of the rail transport market in China, various giants outside the industry and numerous funds have entered the market, resulting in more fierce market competition, and in particular, the investment of funds has become a key factor for the operation of small and medium-sized enterprises in the industry chain. Since for the present, there still exist uncertainties of the trade tension between China and the US and the COVID-19, the Company will face a number of unpredictable factors in the coming year. The implementation of projects under the "Belt and Road Initiative" is expected to be delayed and new business exploration is expected to be impacted by restrictions in relation to transportation and export. The obstacles in globalization will also brought significant challenges to the supply chain of various enterprises and the timing, quality and unit cost of supply in the upstream and downstream will present new problems in the future.

Due to changes in external environments in the overseas and domestic market, all enterprises will need to make corresponding adjustments to survive and will have to change their corporate structures, management procedures, production methods and incentive measures. The industry competition has accelerated the process of survival of the fittest and pushed enterprises to improve the technological level of their products and promote innovative development in order to obtain new market shares.

With the continuous growth of total passenger traffic of domestic cities year by year, public transportation remains the first choice for travelling of the residents. With the increase of cities which have urban rail transit systems and in particular, the optimization and integration of public transportation and the internet, the development of intelligent transportation and the increase of investments in intelligent transportation scenarios by enterprises including large domestic payment companies, banks and the three telecommunications carriers in China, Shanghai Xunshan Information Technology Limited（上海尋山信息科技有限公司）("Shanghai Xunshan") grasped the huge market opportunities and actively explored intelligent transportation platform connection market and developed intelligent transportation platform value-added services in order to further expand the revenue stream of Shanghai Xunshan.

Guangzhou Global Link Intelligent Information Technology Co., Ltd.（廣州國聯智慧信息技術有限公司）("Global Link Intelligent"), another subsidiary of the Company, was still engaged in the provision of in-depth market demand analysis and implementation solutions, with a view to promoting the successful application of the mobile phone public services cards through application scenarios where CA-SIM can incorporate rigid demands.

I hereby would like to take this opportunity to express my sincere gratitude to all members of the Board, the management of the respective enterprises and all of our staff. I am also thankful for the vigorous support to the Company by our business partners.

Li Kin Shing
Chairman

Hong Kong, 22 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the international situation and the domestic business environment were complex and changing. After several twists and turns, China and US have made progress on trade negotiations. In view of national conditions, the Chinese government promptly issued reform policies relating to tax and charge reduction to actively ease the burden on small and medium-sized enterprises. The clear governmental guidelines facilitated the shift of China's economy from rapid growth to high-quality development, active transformation of its development model, optimized economic structure and shifted growth momentum. The economic growth in China has gradually slowed down as compared with the previous years, marking gradually improved quality of economic development, which achieved its strategies of steady progress and high-quality development driven by supply-side structural reform.

MARKET OVERVIEW

During the year under review, the investments in rail transit construction in China still maintained a certain scale. Driven by various regional governments' plans of the "Great Bay Area Economy", "Metropolitan Area Economy" and urbanization, urban rail transit is becoming important support for the cities to attract people and promote regional economic development. There were 40 cities operating urban rail transit in mainland China, with the length of approximately 6,730 km, representing an increase of approximately 968 km as compared with last year. In addition, the National Development and Reform Commission approved plans for rail transit construction and investment in multiple central cities again. The newly approved planning route length is nearly 700 km, with a total investment of more than RMB460 billion. It can be seen that urban rail transit is increasingly important in economic construction. Along with the appearance of new urbanization, the construction of regional urban agglomerations is accelerating. Investment in this field has gradually become a new growth for national economy and will continue to maintain a relatively fast growth.

In 2019, the total passenger throughput in the central cities of China increased by about 2% as compared with that in 2018, which revealed that public transportation is still the first choice for residents to travel. In particular, due to increased cities operating urban rail transit and increased lines, the passenger volume throughput of urban rail transit maintained steady growth year by year. Due to the characteristics of high frequency, high traffic and low unit price in public transportation scenarios, as evidenced by the latest statistics of China Telecom's Bestpay, the average cost of new customer attraction and activation under such scenario is 70% to 80% lower than that under the supermarket scenarios. As a consequence, domestic large-scale payment companies, banks, three major telecom operators and mobile phone manufacturers have increased their investment in such scenario operations. Shanghai Xunshan is still mainly engaged in assisting China Telecom's Bestpay, Suning Finance and other partners to develop the public transportation QR code payment platforms and realize the docking of such platforms with public transportation in top cities, as well as the metro QR code payment platforms.

During the year under review, based on the development trend of the national public transport and the need from the intelligent transportation industry for integrated development, Global Link Intelligent closely followed the policies relating to and trend of national public transportation development, focused on the industrial scenic trend of "Smart Transportation" and actively prepared to apply CA-SIM card in public transportation scenarios by continuing research and development of the relevant technology and integrating resources. Global Link Intelligent actively docked with the residential and commercial community broadband service providers, and designed community development projects by the application of CA-SIM card, community access control and indoor WIFI service optimization combined with its channel resources in communities, so as to promote the development of CA-SIM application service and develop new community users of CA-SIM card and expand community consumption scenario business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, Guangzhou Global Link continued to be mainly engaged in the provision of integrated on-board information system solutions for urban rail transit. In view of the characteristics of long contract performance period and long-term maintenance and operation guarantee in this industry, the Company shall take the timely delivery of system and equipment under the contract as a priority. During the year, the products delivered to various vehicle manufacturing subsidiaries of CRRC included: Northern Extension Line of Guangzhou Metro Line 8, Guangzhou Metro Line 9, additional vehicles purchased on Guangzhou Metro Line 6; Southern Extension Line of Wuhan Metro Line 2, Caidian Line of Wuhan Metro Line; Changsha Metro Line 4; and Hong Kong Light Rail On-board Monitoring System. In addition, the projects executed included renovation project of old vehicle system of Guangzhou Metro Line 5 and 6 and renovation project of old vehicle information system of Shenzhen Metro Line 3.

During the year under review, due to the delivered system in previous years and the vehicles under new contracts put into operation for the year, the operation guarantee task of Guangzhou Global Link for the projects was especially onerous. Especially, with the expansion of relevant projects under the "Belt and Road Initiative", engineering services projects have undergone rigorous time in the compliance with the industry's international standards. Following the delivery and operation of the second-phase vehicles of Ankara Line of Turkey, the testing and operating of HMU and ETS2 D-series High-Speed Trains in Malaysia became the top priority in its engineering services, project management and technical support during the year. After 8000 km Free-Fault-Running (the "FFR") of the two D-series High-Speed Trains is completed, the qualification of each train is also subject to the completion of 4000 km FFR. It was a new experience for Guangzhou Global Link to deliver products for these two projects with complex lines and signaling requirements which contained more than 200 operating stations with more than 10 lines operating. Under the strict organization of the vehicle factory, combined with that Guangzhou Global Link's overseas and domestic employees worked together day and night to overcome all kinds of difficulties, Guangzhou Global Link finally achieved the required standard under strict assessment of the local government and operators. The successful implementation of such two projects has further improved the comprehensive technical strength of Guangzhou Global Link.

In the first three quarters of the year under review, the marketing team of Guangzhou Global Link focused on the Pearl River Delta with Guangzhou as the center, Wuhan and Northeast region in China. As the investments in urban rail transit increased year by year, it attracted many companies to participate in the competition for bidding projects, combined with their background of state-owned enterprises, the market competition is very fierce, which resulted in declined gross profit margin of the bidding price. The Company actively explored the user market by leveraging on the long-term service experience in the rail transit industry and numerous achievements in the execution of projects. During the year, the Company also entered into agreements regarding Tram in Huangpu District, Guangzhou and Harbin Line 2 projects, while expanding the markets such as Foshan and Chongqing.

MANAGEMENT DISCUSSION AND ANALYSIS

With the increasing development of urban rail transit networks and the advancing information technology, operators posed their requirements for related services' intelligentization and humanization and environmental protection under the premise of safe operation. At the same time, due to the advanced vehicle technologies, new models of medium and high-speed trains, urban express, district tram, maglev train, etc. successively appeared in newly planned projects. Different models have very different requirements for on-board information systems, which also set barriers for new industrial entrants in technical innovation. In order to ensure its market share, Guangzhou Global Link has allocated vast resources to attract various professional developers and make more efforts to the research and development of new products and application. In terms of product innovation, it has continuously communicated with operators and vehicle manufacturers, and has developed new targeted products including: train front monitoring system, digital posters in the carriage; audio and video playback and ordering service in VIP carriage, passenger crowding degree reminder, audio and video real-time communication system and large-scale passenger information broadcasting system.

In order to tap into the transportation payment solutions industry in the People's Republic of China (the "PRC"), which is consistent with the Group's strategy in expanding its passenger information management system business and will create great synergy with the Group's existing business, in the first quarter of the year under review, the Company acquired 60% of the entire issued share capital of Connect Cool Technology Limited, which wholly owned Shanghai Xunshan. In the first three quarters of the year under review, Shanghai Xunshan had access the public timipertation system into Hefei Bus, Zhongshan Bus, Zhanjiang Bus, Qingyuan Bus, Huainan Bus, Taizhou Bus, Jieyang Bus, etc. As increasing projects are officially put into operation, China Telecom's Bestpay has begun to increase its investments in riding code operations. It plans to provide Bestpay's riding code user subsidies in the form of call services subscriptions interest bundled with the 5G package through cooperation with telecom companies in various provinces and municipalities, which facilitates new customer attraction for the main business and achieve the activation of Bestpay App. Shanghai Xunshan is also actively assisted Bestpay to promote its cooperation with telecom companies in various provinces and municipalities on travel interest packages to capture new business opportunities in operations.

In the fourth quarter of the year under review, the pneumonia epidemic has raged across the world, resulting in devastating impacts on the public transportation industry and as a result, the passenger traffic of public transportation of most cities fell to 5% of that for the corresponding period last year. Though in this quarter, Shanghai Xunshan entered into strategic cooperation with Suning Finance in respect of public transportation scenario business, due to the impacts of the external market factors, the budgets of Suning Finance have been significantly reduced and the plan of expansion into more cities was severely impacted. China Telecom's Bestpay has also decelerate the pace of expansion due to market reasons and instead devoted more efforts to cities where the operation of business already started.

With the BAT's layout for integration of online business with people's public services needs and application offline, QR code has become the main entrance and tool of mobile Internet in China. The users' dependence on mobile phone SIM cards gradually weakened, and the issuance and promotion of the physical SIM card (public services card) of Global Link Intelligent was significantly affected. Based on the strengths of mobile phone public services card enabling real-name authentication online and offline and safe interaction, Global Link Intelligent closely followed up with requirements for COVID-19 prevention and control. It conducted in-depth demand analysis and implementation program research, aiming to assist the government in the safety management on epidemic prevention and control (health code) through mobile phone public services card, and exerted efforts to improve the application scenarios for inelastic demands of the people's livelihood and improve user experience, therefore to promote the smooth application of mobile phone public services card.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, Global Link Intelligent actively carried out strategic cooperation with a body corporate established in the PRC in respect of the application of 2.4G/RCC SIM card technology in the China T-union project, and signed a supply contract on the supply of public transport POS devices supporting the RCC-SIM cards. During the year under review, the actual delivery of 2,600 POS devices had been completed, laying the hardware foundation and creating favorable conditions for the issuance of cards in the scene of public transport industry. However, in the fourth quarter, due to the impact of the COVID-19 epidemic, domestic public traffic was significantly reduced in the PRC, which had affected the investment in the public transport industry.

FINANCIAL REVIEW

Turnover

During the year under review, Guangzhou Global Link, a subsidiary of the Company, has delivered vehicle passenger information system products pursuant to the contracts in relation to the projects of Caidian Line of Wuhan Metro Line, Wuhan Metro Line 2, Southern Extension Line of Wuhan Metro Line 2, Guangzhou Metro Line 9, Northern Extension Line of Guangzhou Metro Line 8, Guangzhou Metro Line 6 and HMU Line in Malaysia. It has also provided relevant spare parts and accessories to metro owners in several major cities during the period. Sales for the year was approximately HK$70,428,000, representing a decrease of approximately 26% as compared with the last corresponding year due to the decrease in products delivered.

During the year under review, the public transportation electronic payment platforms of Shanghai Xunshan, a subsidiary of the Company, achieved sales of approximately HK$13,298,000.

Gross profit and loss attributable to equity shareholders

For the year ended 31 March 2020, the Group recorded gross profit of approximately HK$9,824,000 with gross profit margin of approximately 14%. Loss after tax was approximately HK$22,019,000. Loss attributable to equity shareholders of the Company amounted to approximately HK$23,192,000.

Selling expenses

Selling expenses during the year under review were approximately HK$9,920,000, representing a decrease of approximately 48% as compared with approximately HK$19,102,000 in the last corresponding year. This is mainly due to the fact that the Group's overseas projects have been delivered and the Group did not need to bear the freight charges for overseas projects and the local import tariffs for the fourth quarter of the year under review. In addition, the Group conducted targeted business negotiations with and technical exchange activities for potential customers, thereby effectively controlling the relevant expenditure. As a result, the selling expenses during the year under review decreased significantly as compared with the last corresponding year.

Administrative expenses

Administrative expenses during the year under review were approximately HK$13,741,000, representing an increase of approximately 9% as compared with approximately HK$12,557,000 in the last corresponding year. The increase was mainly attributable to the cost related to the acquisition of Connect Cool Technology Limited.

Impairment of intangible asset

Impairment of approximately HK$8,704,000 has been made for the intangible asset CA-SIM during the year under review, representing an increase of approximately 35% as compared with approximately HK$6,446,000 in the last corresponding year.

Impairment of goodwill

During the year under review, impairment loss on goodwill of approximately HK$5,716,000 was made by the Group.

Other operating expenses

Other operating expenses during the year under review amounted to approximately HK$2,880,000, representing a decrease of approximately 11% as compared with approximately HK$3,250,000 in the last corresponding year.

Other revenue and other net gain

Other revenue and other net gain amounted to approximately HK$4,845,000, remained stable as compared with HK$4,579,000 for the last corresponding year.

TURNOVER BY REGION

During the year under review, Guangzhou Global Link remained as the major contributor to the Group's operating income, and the solution of train information system for railway transportation was the core product for generating operating income. Train manufacturers under the CRRC, railway transportation contractors and integrated project enterprises, as well as subway operators in places where projects had commenced operation, were the major customers of the Group. Shanghai Xunshan was mainly engaged in assisting China Telecom's Bestpay, Suning Finance and other partners to develop public transportation QR code payment platforms and realize the connection with the bus and metro QR code payment platforms of high quality cities. The PRC market was the main market for products and services of the Group, supplemented by overseas markets.

The Group realized turnover of approximately HK$70,385,000 in the PRC, representing approximately 99.80% of the Group's turnover for the year.

CUSTOMER ANALYSIS

The customers of the Group are mainly train manufacturers under CRRC, which are supplied with our certified and licensed train information system products. The Group also supplies technical support and operation guarantee for train operating services for various urban rail transit operators in the PRC, carries out corresponding technical cooperation and innovation at rail transit operators' requests and provides system software and hardware upgrades, spare parts and accessories at the same time. The Group also supplies system solutions, product support and operating after-sale services for rail transit operators in, among others, Hong Kong, Malaysia, Turkey and Pakistan.

The customer base of Shanghai Xunshan's bus and metro passenger QR code business mainly includes payment companies, internet companies and banks which have demands for traffic from public transportation scenarios, such as Bestpay, Alipay, Suning Finance, Tongcheng-Elong and China Merchants Bank.

In relation to the Smart City project, the customer of the Group included a body corporate providing the application of 2.4G/RCC technology in the China T-Union（交通一卡通互聯互通）project.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PARTNERS

The business partners of the Group are mainly train manufacturers under CRRC, which are supplied with our certified and licensed system products, innovation system components, modules, hardware and software research and development and technical support and cooperation for the trial production of new trains. We have established and maintained long-term good partnership with systems integrators, as well as renowned train manufacturers and local enterprises, project construction companies and rail transit operators in Hong Kong and abroad.

The main partners of Shanghai Xunshan's bus and metro passenger QR code business are mainly "Internet +" public transportation operators, bus companies, and subway companies, such as All City Go（通卡聯城）, i-xiaoma（小碼聯城）,Dtchuxing, Jinhua Bus and Shijiazhuang Metro.

In respect of Smart City project development, we also collaborate with local government service departments, security management companies, community property management companies, major telecommunications operators, network operators, data centers, professional customer service companies and educational institutions.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since the last accounting year.

The Group carried out prudent financial policy with surplus cash deposited in bank to finance operation and investments. Management will review financial forecast on a regular basis. As at 31 March 2020, the Group had total cash and bank balances, amounted to approximately HK$94,107,000 (2019: approximately HK$71,272,000).

BUSINESS OUTLOOK

As the COVID-19 has raged across the world, unprecedented difficulties were brought to the industry's various activities. In particular, Guangzhou Global Link encountered many challenges, including delay in the resumption of work and production of various upstream components and material suppliers, price increase on some imported parts, longer collection period of receivables and others, which will affect the revenue. The whole management of the Company took the lead in returning to work to organize the resumption of work and production on 10 February 2020, and formulated control measures for various tasks in a timely manner. On the premise of ensuring the safety of employees, detailed prevention and control guidelines and corresponding personal assistance were provided for the workplaces in Wuhan, Turkey, Malaysia, Pakistan and other regions where the COVID-19 is severe. At the same time, in order to ensure product delivery, personnel of other lines have returned to work as normal. It is expected that under the leadership of the management, the enthusiasm of all employees will be boosted. Also, during the period of continuous high investment in the industry, we believe that we can win more new contract orders through innovation, active expansion and sound after-sales service.

In addition, the COVID-19 adversely affected the public transportation industry and as a result, the passenger traffic of public transportation of most cities fell to 5% of that for the fourth quarter of the year under review. Although Shanghai Xunshan entered into strategic cooperation with Suning Finance in respect of public transportation scenario business, due to the impacts of the external market factors, the budgets of Suning Finance have been significantly reduced and the plan of expansion into more cities was severely impacted. China Telecom's Bestpay has also decelerate the pace of expansion due to market reasons and instead devoted more efforts to cities where the operation of business already started. In the coming year, Shanghai Xunshan will strive to effectively control its operational costs and maintain good relationships with its partners. And after the COVID-19 is put under control and market confidence starts to resume, Shanghai Xunshan will continue to focus on the principal line of public transportation scenario business, strive to realize innovation on business model and further develop the "Internet +" public transportation operation business.

At the same time, affected by the COVID-19, many enterprises have delayed the resumption of work, residents have difficulty in traveling, the focuses of Panyu District's epidemic prevention and control government affairs and public services card related work have been adjusted, and the application scenario construction of mobile phone public services card, the expansion of card issuing channels and the site promotion of users have been hindered and slowed down, as a result of which the promotion of the issuance of the Global Link Intelligent's physical SIM mobile phone public services cards has been greatly affected. In the future, based on the advantages of online and offline real-name authentication and security interaction of mobile phone public services card and in light of the needs of COVID-19 prevention and control, Global Link Intelligent conducted more in-depth demand analysis and research on implementation plan in order to realize the successful application of mobile phone public services cards and large scale card issuance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had net current assets of approximately HK$93,619,000 (2019: approximately HK$81,645,000), of which approximately HK$94,107,000 (2019: approximately HK$71,272,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CHARGE ON THE GROUP'S ASSETS

Save as disclosed in note 19 and 20 to the consolidated financial statements, the Group had no charge on its assets for the year under review.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

GEARING RATIO

The Group had no outstanding bank loans or other interest-bearing loans as at 31 March 2020 and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable.

FOREIGN EXCHANGE EXPOSURE

The Group exposes to certain foreign currency risk primarily with respect to United States dollars and Hong Kong dollars. No hedging or other alternatives have been implemented. The Group continues to monitor its exposure closely and will take measures to lower the foreign currency risk when necessary.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our Directors as at the latest practicable date prior to the issue of the annual report, the Group had maintained sufficient public float in accordance with the GEM Listing Rules throughout the year under review.

SEGMENT INFORMATION

Segment information of the Group is set out in note 8 to the consolidated financial statements.

USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 21 APRIL 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of Goldstream Investment Limited (formerly known as International Elite Ltd.), a company listed on the Main Board of the Stock Exchange (stock code: 1328) completed the subscription of 1,000,000,000 shares of the Company on 21 April 2016. For details, please refer to the announcements of the Company dated 29 February 2016 and 21 April 2016 and the circular of the Company dated 30 March 2016 (the "Circular").

The gross proceeds from the subscription were HK$80.0 million. The net proceeds of the subscription, after deduction of expenses and professional fees, amounted to approximately HK$79.0 million (the "Subscription Proceeds"), amongst which approximately HK$62.6 million had been utilised as at 31 March 2020. The breakdown of the Company's actual use of the Subscription Proceeds as at 31 March 2020 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular	**Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 March 2020**
	HK$ million	HK$ million
The Company's existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	30.0
The development of the "Smart City" project by using the Company's existing CA-SIM technology, mainly for staff hiring, development of relevant management system platform and gradual roll out of the mobile apps and value-added services to target users	41.1	24.7
Working capital	7.9	7.9
Total	79.0	62.6

Based on the current market condition, the Board is planning to utilise approximately HK$3 million, on development of the "Smart City" projects and relevant research and development in the financial year ending 31 March 2021.

The remaining balance of the un-utilised Subscription Proceeds will be put in banks as deposits.

As at 31 March 2020, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND SALARIES POLICY

As at 31 March 2020, the Group had 199 employees (2019: 182 employees), with 190 employees and 9 employees employed in the PRC and Hong Kong, respectively.

	At 31 March 2020 Number of staff	At 31 March 2019 Number of staff
Management, finance and administration	**39**	33
Research and development	**82**	78
Sales and after-sales maintenance	**78**	71
Total	**199**	182

The total staff costs, including Directors' emoluments, amounted to approximately HK$22,942,000 (2019: approximately HK$24,280,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including Mandatory Provident Fund Scheme, social insurance, medical insurance and accident insurance.

PRINCIPAL RISKS

The Group's financial position, business results and prospects would be affected by a number of risks including operational risk, market risk and financial risk. Our Group engages in research and development of electronic hardware and software which is susceptible to information technology risk. The Group's trading business is subject to credit risk, liquidity risk and foreign currency risk. The Group's financial risk management objectives and policies are shown in note 5(a) to the consolidated financial statements.

Operational risk of the Group are related to our projects, where bidding prices of projects are generally affected by market competition. On the other hand, there are also certain operation risk for the Group to control the costs and implementation of each project. Market risk of the Group refers to the general demand of our products, which is in turn affected by PRC government policy and national and regional economy. Information technology risks refer to the risk of infringement of intellectual property during our research and development process, as well as application of licensed technology in our products.

Facing the risks as mentioned above, the Company adopts internal control systems where critical points in our business process is identified and specific control measures and procedures developed to reduce operational and information technology risks. The Company works closely with day-to-day management in order to identify and control potential risk points, and consult external advisers where necessary.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Kin Shing (李健誠) (formerly known as Li Kwong (李廣)), aged 62, has been appointed as executive Director and the chairman of the Board, a member of the nomination committee, and an authorized representative of the Company with effect from 26 May 2016.

Mr. Li has over 30 years of experience in the telecommunications industry. Mr. Li had been an executive director, the chairman and the chief executive officer of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) and resigned on 28 December 2018. He was the chief executive officer and the president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, U.S.A., whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions in 2007. Since 2009, he has been a non-executive director and the chairman of Directel Holdings Limited (Stock Code: 8337), a company listed on GEM and controlled by him and his spouse. Mr. Li is also a director of First Asset Securitization Holding Limited, First Asset Securitization Limited, Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司), Global Link Intelligent Parking Investment Company Limited, Connect Cool Technology Limited and Scapeway Limited, all being subsidiaries of the Group.

Mr. Ma Yuanguang (馬遠光), aged 65, is the co-founder of the Group and is an executive Director and Chief Executive Officer. Mr. Ma resigned as the chairman of the board of Directors on 26 May 2016. Mr. Ma is responsible for the overall strategic planning of the Group. Mr. Ma has over thirty years' experience in the telecommunications industry. Prior to joining the Group, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for eight years. Mr. Ma has cooperated with several multinational hi-tech firms in the United States, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC. Mr. Ma is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited and Tonnex Holdings Limited, all being subsidiaries of the Company.

Mr. Wong Kin Wa (黃建華), aged 52, has been appointed as the executive Director, a member of the remuneration committee, an authorized representative and compliance officer of the Company with effect from 26 May 2016. He obtained a diploma in Auditing from Guangzhou Radio & TV University, the PRC, in 1988.

Mr. Wong has over 20 years of finance and marketing experience, in particular in the telecommunications industry in Hong Kong and Macau. Mr. Wong had been an executive director, the chief financial officer, the compliance officer and authorised representative of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) and resigned on 28 December 2018. Before that, he was a manager of China-Hong Kong Telelink Company Limited from 1997 to 1999. Mr. Wong joined Denway Motors Limited (駿威汽車有限公司) (previously known as Denway Investment Limited), a company whose shares were formerly listed on the Main Board of The Stock Exchange of Hong Kong Limited, as the vice general manager in 1993. Mr. Wong has been a non-executive director of Directel Holdings Limited (Stock Code: 8337) since 2009. Mr. Wong is also a director of First Asset Securitization Holding Limited, First Asset Securitization Limited, Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司), Global Link Intelligent Parking Investment Company Limited, Connect Cool Technology Limited and Scapeway Limited, all being subsidiaries of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Kwok Keung (梁覺強), aged 56, is the financial controller of a listed company on the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. He was an independent non-executive director of Lee Kee Holdings Limited (Stock Code: 0637), a company listed on the Main Board of the Stock Exchange, from September 2006 to October 2014. He graduated from the City University of Hong Kong with a Bachelor degree in accountancy and obtained a degree in Bachelor of Laws from Qinghua University. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. He has more than 20 years' experience in finance, accountancy and treasury. Mr. Leung is a member of the audit committee.

Mr. Cheung Sai Ming (張世明), aged 45, has been appointed as an independent non-executive Director of the Company, and the chairman of the audit committee, the remuneration committee and the nomination committee with effect from 26 May 2016.

He obtained a bachelor's degree of arts in accountancy and finance from the Heriot-Watt University, the UK, in 2006. Mr. Cheung is a certified public accountant of Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experiences in auditing and accounting. Since 2007, Mr. Cheung has served as an independent non-executive director of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) and resigned on 1 December 2019.

Mr. Liu Chun Bao (劉春保), aged 74, has been appointed as an independent non-executive Director, and a member of the audit committee, remuneration committee and nomination commitee with effect from 26 May 2016. He is a senior engineer, graduated from Wuhan College of Posts and Telecommunications, the PRC, in 1969.

Since 2011, Mr. Liu has served as an independent non-executive director of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) and resigned on 1 December 2019. Mr. Liu served as engineer, deputy section chief and section chief in Guangdong Posts and Telecommunications Administration Bureau and as researcher and the assistant to the director in Guangdong Communication Administration Bureau. Mr. Liu also served as the general secretary of the Guangdong Institute of Communications (廣東省通信學會), Guangdong Communication Industry Association (廣東省通信行業協會), Guangdong Internet Society (廣東省互聯網協會) and a committee member of the China Association of Communications Enterprises (中國通信企業協會).

SENIOR MANAGEMENT

Mr. Xian Bao Wen (冼寶文), aged 45, joined Guangzhou Global Link Communications Inc, in October 2007 and is the finance controller. Mr. Xian graduated from Guangdong University of Finance & Economics with a bachelor degree of Economics. Mr. Xian has worked in a state-owned enterprise which engaged in telecommunication as accountant for almost 7 years. From July 2005 to October 2007 he became an assistant of finance controller in the Superdata Group (used to be GEM's listed company). Mr. Xian is also a director of Guangzhou Global Link Communications Inc., a subsidiary of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Chan Wai Ching（陳惠貞）, aged 58, has been appointed as the company secretary of the Company with effect from 26 May 2016. She obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008.

Ms. Chan has over 37 years of experience in accounting, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. She has been the company secretary of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) since 2007 and the company secretary and authorised representative of Directel Holdings Limited (Stock Code: 8337) since 2009. Ms. Chan subsequently resigned as Company secretary and authorised representative of Directel Holdings Limited effective 7 June 2016.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segments and products and services is set out in note 8 to the consolidated financial statements.

KEY RISK FACTORS

The principal risks faced by the Group are set out in page 15 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosure. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 60.

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2020.

RESERVES

The 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 62 and note 29 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

THE SUBSCRIPTION BY THE CONTROLLING SHAREHOLDER OF THE COMPANY

On 28 August 2019 (after trading hours), the Company entered into a subscription agreement with the controlling shareholder, a director and the chairman of the Company, Mr. Li Kin Shing, as the subscriber, pursuant to which Mr. Li Kin Shing has conditionally agreed to subscribe for and the Company as the issuer has conditionally agreed to allot and issue 1,175,000,000 new shares with par value of HK$0.01 each at the subscription price of HK$0.0348 per share (the "Subscription"). The Subscription was completed on 13 November 2019. For details, please refer to the announcements of the Company dated 28 August 2019, 18 September 2019, 27 September 2019, 24 October 2019 and 13 November 2019, and the circular of the Company dated 9 October 2019.

The Company received net proceeds of approximately HK$40,000,000 from the Subscription, the entire amount of which has been retained in the Group's bank account. The entire net proceeds were intended for general working purposes and in particular to meet the potential order from the Group's business partner (the "Business Partner") for the supply of public transportation vehicle mounted POS equipment with the Company's patented 2.4G technology software installed ("POS Equipment"). On 28 April 2020, the Group received a written notice (the "Notice") from the Business Partner informing the Group that, among others, due to the impact of the new coronavirus epidemic on urban public transportation industries in the PRC, the Business Partner faced changes in the relevant policies and funds available and therefore needed to make significant adjustments to the purchase plans under the Strategic Cooperation and Framework Supply Agreement and the Purchase Agreement (the "Agreements"), both entered into between the Group and the Business Partner for the supply of POS Equipment. As such, the Business Partner requested to cancel the Agreements, save for the 2,600 POS Equipment which had already been delivered to the Business Partner by the Group pursuant to the Agreements. The Board endeavours to take actions to protect the rights of the Group under the Agreements and to pursue the interests of the Group in the above matter, including but not limited to, seeking legal advice from its PRC legal advisers.

SHARE CONSOLIDATION

An extraordinary general meeting was held on 6 January 2020 in which the resolution in relation to the share consolidation on the basis that every ten (10) issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of HK$0.10 each in the share capital of the Company (the "Share Consolidation") was passed. The Share Consolidation became effective on 8 January 2020. For further information, please refer to the Company's announcements dated 29 November 2019 and 6 January 2020, and the Company's circular dated 16 December 2019.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law 2003 (Revised) of the Cayman Islands and the articles of association of the Company, the share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's articles of association. As at 31 March 2020, the Company's reserves available for distribution amounted to approximately HK$59,660,000 (2019: approximately HK$55,018,000).

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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 as follows:

Financial Highlights

	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**70,428**	95,626	93,150	55,967	58,210
Gross profit	**9,824**	28,006	24,511	3,979	1,487
Loss before tax	**(21,654)**	(10,467)	(4,778)	(21,904)	(28,770)
Loss attributable to equity shareholders of the Company	**(23,192)**	(10,467)	(4,777)	(21,904)	(28,788)
Total assets	**164,489**	151,862	172,476	152,924	95,089
Total liabilities	**52,353**	56,577	62,529	40,248	38,160
Non-controlling interest	**1,544**	–	(27)	(26)	(26)
Net assets	**112,136**	95,285	109,947	112,676	56,929

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	13%
– five largest suppliers combined	48%
Sales	
– the largest customer	31%
– five largest customers combined	73%

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

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

DIRECTORS

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

Executive Directors

Mr. Li Kin Shing
Mr. Ma Yuanguang
Mr. Wong Kin Wa

Independent non-executive Directors

Mr. Leung Kwok Keung
Mr. Cheung Sai Ming
Mr. Liu Chun Bao

In accordance with Article 87(1) of the articles of association of the Company and the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules, the Director retiring by rotation at the AGM is Mr. Wong Kin Wa and Mr. Liu Chun Bao, being eligible, will offer themselves for re-election at the AGM so that shareholders will be given an opportunity to endorse his appointment.

Each of Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao, being an independent nonexecutive Director of the Company, has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board considers that Mr. Leung, Mr. Cheung and Mr. Liu meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and that they are independent.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the profit or loss for the year are set out in note 9(a) and note 30 to the consolidated financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

Mr. Ma Yuanguang has entered into a service contract with the Company for an initial term of two years commencing from 1 June 2018 and entered into a renewal of service agreement for a term of two years commencing from 1 June 2020. Each of Mr. Li Kin Shing and Mr. Wong Kin Wa has entered into a service agreement with the Company for a term of three years commencing 26 May 2019. Such service contracts may be terminated by either party thereto giving to the other not less than three months' prior written notice.

REPORT OF THE DIRECTORS

Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2018. Each of Mr. Cheung Sai Ming and Mr. Liu Chun Bao has been appointed for a term of three years commencing from 26 May 2019. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory obligations.

DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he or she may sustain or incur in or about the execution of his or her duties. To the extent provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 16 to 18 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Ma Yuanguang	Company	Owner	1,055,600 ordinary shares Long position	0.32%
Li Kin Shing[1]	Company	Owner	164,877,714 ordinary shares Long position	50.52%
		Interest of corporation controlled by the director	25,465,320 ordinary shares Long position	7.80%
		Interest of the spouse	38,749,356 ordinary shares Long position	11.87%
Wong Kin Wa	Company	Owner	186,150 ordinary shares Long position	0.06%

Note:

(1) Mr. Li Kin Shing ("Mr. Li") is personally interested in 164,877,714 shares. Ms. Kwok King Wa ("Ms. Kwok") is personally interested in 38,749,356 shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Mr. Li is deemed to be interested in his spouse's shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interested in 25,465,320 shares. Therefore, Mr. Li is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO.

Save as disclosed above, as at 31 March 2020, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

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

As at 31 March 2020, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

Interests in ordinary shares of the Company – long position

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Kwok King Wa[1]	Beneficial owner	38,749,356	11.87%
	Interest of the spouse	164,877,714	50.52%
	Interest of corporation controlled by her	25,465,320	7.80%
Ever Prosper International Limited[2]	Beneficial owner	25,465,320	7.80%

Notes:

(1) Ms. Kwok King Wa ("Ms. Kwok") is personally interested in 38,749,356 shares. Mr. Li Kin Shing ("Mr. Li") is personally interested in 164,877,714 shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Ms. Kwok is deemed to be interested in her spouse's shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interested in 25,465,320 shares. Therefore, Ms. Kwok is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO.

(2) The 25,465,320 shares are held by Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively. Mr. Li is the spouse of Ms. Kwok.

Save as disclosed above, as at 31 March 2020, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

REPORT OF THE DIRECTORS

COMPETING INTERESTS

Save as disclosed in the Prospectus, the Directors are not aware of any business or interest of each Director, initial management shareholder or substantial shareholder of the Company or any of his/her respective associate that competes or may compete with the business of the Group and any other conflicts of interest which such person has or may have with the Group as at 31 March 2020.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the "board practices and procedures" as set out in Appendix 15 of the GEM Listing Rules.

CONNECTED TRANSACTION

The Group conducted certain non-exempt connected transactions during the year. For details, please refer to the related party transactions as set out in note 32 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in note 32 to the consolidated financial statements.

The Company confirms that in relation to the related party transactions for the year ended 31 March 2020, it has complied with the disclosure requirements in accordance with the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules throughout the period under review.

ENVIRONMENTAL POLICIES AND PRACTICE

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has adopted green initiatives and measures in its business operations such as recycling of used papers, energy saving measures and water saving practices.

During the period under review, to the best of the Directors' knowledge, the Group had not received any complaint from its customers or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its manufacturing activities. During the period under review, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which may had an adverse impact on its operations.

For details please also refer to the Environmental, Social and Governance Report on pages 36 to 51 in this report.

AUDITORS

Crowe (HK) CPA Limited acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 March 2020.

Crowe (HK) CPA Limited retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ma Yuanguang
Chief Executive Officer

Hong Kong, 22 June 2020

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") in Appendix 15 of the GEM Listing Rules throughout the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer are segregated and are held by Mr. Li Kin Shing and Mr. Ma Yuanguang respectively to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

BOARD OF DIRECTORS AND BOARD MEETING

During the year under review, the Board, which comprises six Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the "Biographical Details of Directors and Senior Management". All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

For the year ended 31 March 2020, the executive Directors include Mr. Li Kin Shing, Mr. Ma Yuanguang and Mr. Wong Kin Wa. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. Mr. Cheung Sai Ming, Mr. Leung Kwok Keung and Mr. Liu Chun Bao are the independent non-executive Directors.

Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2018. Mr. Cheung Sai Ming and Mr. Liu Chun Bao have been appointed for a term of three years commencing from 26 May 2019. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors are independent under various guidelines set out in Rule 5.09 of the GEM Listing Rules.

The Board held a full board meeting for each quarter. During the year under review, details of the attendance of the Board are as follows:

Directors	Attendance
Executive Directors	
Mr. Li Kin Shing *(Chairman)*	4/4
Mr. Ma Yuanguang *(Chief Executive Officer)*	4/4
Mr. Wong Kin Wa	4/4
Independent non-executive Directors	
Mr. Leung Kwok Keung	4/4
Mr. Cheung Sai Ming	4/4
Mr. Liu Chun Bao	4/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors and senior management are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Continuing briefings and professional development to Directors and senior management will be arranged whenever necessary.

Pursuant to the Corporate Governance Code, all Directors and senior management should 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. During the year and up to the date of this report, all Directors and senior management have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities in compliance to Code A6.5 of the Corporate Governance Code.

REMUNERATION COMMITTEE

The remuneration committee was established in March 2006. During the year under review, the chairman of the committee is Mr. Cheung Sai Ming, an independent non-executive Director, and other members include Mr. Wong Kin Wa and Mr. Liu Chun Bao, the majority of members being independent non-executive Directors.

The role and function of the remuneration committee included the making of recommendations to the Board on the remuneration packages of all Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the group. The committee's authority and duties are set out in written terms of reference and are posted on the websites of the Company and the Stock Exchange.

During the year under review, a meeting of the remuneration committee was held on 16 March 2020. Details of the attendance of the remuneration committee meeting are as follows:

Members	Attendance
Mr. Cheung Sai Ming *(Chairman)*	1/1
Mr. Wong Kin Wa	1/1
Mr. Liu Chun Bao	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and senior management and appointment letters of the non-executive Directors and independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and senior management and appointment letters of the non-executive Directors and independent non-executive Directors are fair and reasonable.

NOMINATION COMMITTEE

The nomination committee was established in March 2012. During the year under review, the nomination committee comprises three members. As at the date of this report, the nomination committee comprises three members, namely, Mr. Li Kin Shing, Mr. Cheung Sai Ming and Mr. Liu Chun Bao. Mr. Cheung Sai Ming is currently the chairman of the Nomination committee. The majority of the members of the nomination committee are independent non-executive Directors.

The role and function of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive. The re-election of each of those independent non-executive Directors who has served on the Board for more than 9 years is subject to (1) a separate resolution to be approved by shareholders of the Company at the relevant annual general meeting; and (2) further information being given to shareholders of the Company together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected. The committee's authority and duties are set out in written terms of reference and are posted on the websites of the Company and the Stock Exchange.

A meeting of the nomination committee was held on 22 June 2020. Details of the attendance of the nomination committee meeting are as follows:

Members	Attendance
Mr. Cheung Sai Ming *(Chairman)*	1/1
Mr. Li Kin Shing	1/1
Mr. Liu Chun Bao	1/1

The nomination committee has considered and resolved that, in accordance with the Company's articles of association and subject to the proposed resolutions being passed at the forthcoming annual general meeting, Mr. Wong Kin Wan and Mr. Liu Chun Bao will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The nomination committee has assessed the independence of the independent non-executive Directors and considered the independent non-executive Directors to be independent under Rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Board had adopted a board diversity policy for maintaining a balance of skills, experience and diversity of perspectives on the Board, which are appropriate to the requirements of the Company's business.

The following is a summary of the board diversity policy:

– reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;

– recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and

– conducting the annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in promoting shareholders' interests.

NOMINATION POLICY

The Group adopted a nomination policy (the "Nomination Policy"). The objective of this Nomination Policy is to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. A summary of this policy is disclosed as below:

– The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:–

  - Reputation for integrity
  - Accomplishment and experience
  - Qualifications
  - Compliance with legal and regulatory requirements
  - Commitment in respect of available time and relevant interest
  - Independence
  - Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

– The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. 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 shall review this Nomination Policy to ensure it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice at least annually and shall make recommendations, should it thinks appropriate, of any amendments to this Nomination Policy to the Board for its consideration.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of approximately HK$658,000 to the external auditors for its audit services and the auditor's remuneration for non-audit services was approximately HK$99,000.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial matters to the Board. As at the date of this report, the Audit Committee comprises three members, Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Cheung Sai Ming.

The Group's annual audited results during the year ended 31 March 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

The audit committee held 5 meetings during the year under review to discuss the accounting principles and practices adopted by the Company and discussions with senior management and the independent auditor on matters arising from audits and the effectiveness of the Company's internal control and risk management system. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Cheung Sai Ming *(Chairman)*	5/5
Mr. Leung Kwok Keung	5/5
Mr. Liu Chun Bao	5/5

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report in the Company's annual report; and
- such other corporate governance duties and functions set out in the Corporate Governance Code (as amended from time to time) for which the Board are responsible.

During the year under review, the Board has performed the corporate governance duties accordingly.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility to prepare the Group's financial statement for each financial period to give a true and fair view of the state of affairs of the Group and of results and cash flows for that period. In preparing the financial statements for the year under review, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditor's Report on pages 52 to 59 of this report.

INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. The systems are design to reduce, not eliminate, risks associated with our business and can only provide reasonable (i.e. not absolute) assurance against material misstatement or loss. The Board has conducted a review of the system of risk management and internal control of the Group periodically to ensure the effective and adequate risk management and internal control system. The Board convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control and risk management is effective and adequate to the Group.

The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 March 2020.

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

II. Send enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 3815, Hong Kong Plaza, 188 Connaught Road West, Hong Kong by post for the attention of the company secretary of the Company. In addition, the Company's website provides fax number and telephone number by which enquiries may be put to the Board.

III. Make proposals at general meetings

Eligible Shareholder who wishes to convene an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder concerned to the principal place of business of the Company in Hong Kong as set out in the paragraph above, for the attention of the company secretary of the Company.

The Requisition must state clearly the name of the Eligible Shareholder concerned, his shareholding, the reason to convene an extraordinary general meeting, the agenda proposed to be included as well as the details of the business proposed to be transacted in the extraordinary general meeting.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 27 December 2018. A summary of this policy is disclosed as below:

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) operations and earnings;

(ii) business development;

(iii) capital requirements and surplus;

(iv) market conditions and general financial conditions;

(v) contractual restrictions (if any); and

(vi) any other factors that the Board consider appropriate.

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors periodically. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting ("AGM") each year to meet the shareholders and answer to their enquiries. During the year under review, two extraordinary general meetings ("EGM") were held on 24 October 2019 and 6 January 2020.

The attendance of members of the Board to the AGM and EGM held on 2 August 2019, 24 October 2019 and 6 January 2020 is as follows:

Directors	Attendance	
	AGM	EGM
Executive Directors		
Mr. Li Kin Shing *(Chairman)*	1/1	0/2
Mr. Ma Yuanguang *(Chief Executive Officer)*	1/1	0/2
Mr. Wong Kin Wa	1/1	2/2
Independent non-executive Directors		
Mr. Cheung Sai Ming	1/1	2/2
Mr. Leung Kwok Keung	1/1	1/2
Mr. Liu Chun Bao	1/1	2/2

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

Introduction of the Report

This is the fourth Environmental, Social and Governance ("ESG") report of Global Link Communications Holdings Limited ("the Company" or "Global Link"). This report summarizes the Company's performance in fulfilling its responsibilities in economic, environmental and social dimensions during the financial year from 1 April 2019 to 31 March 2020.

In preparing for the ESG report, the Group has complied with the "Comply or Explain" provisions in accordance with the "ESG Reporting Guide" as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and in accordance with the practical circumstances of the Group.

The board acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of its knowledge, this report addresses all material issues and fairly presents the ESG performance of the Group and its impacts. The Board confirms that it has reviewed and approved the ESG report.

Reporting Scope

The reporting scope of this report includes Global Link Communications Holdings Limited and its subsidiaries (the "Group"). The main operations are located at the Group's headquarter in Hong Kong and its Research and Development (R&D) and Assembly Centre in Guangzhou.

About Global Link

During the reporting period, the Group engaged in providing overall solution for rail transit information systems as its major business. The Group has various out-performing and efficient teams specialized in product development, production, sales, service and operation, making us an outstanding rail transit passenger information system solutions provider and a leader in railway passenger information system technology.

The customers of Guangzhou Global Link Communications Inc. ("Guangzhou Global Link"), a subsidiary of the Company, are mainly train manufacturers under the CRRC Corporation Limited ("CRRC"). We supply mainly certified and licensed train information system products, including railway closed circuit television system, media broadcast system, railway broadcast system and LCD ("Liquid-crystal display") passenger information display system. The Group also strives to provide urban rail transit operators with technical support and operation maintenance services in China, to carry out corresponding technical cooperation and innovation at rail transit operators' requests and in the meantime, to provide system software and hardware upgrades, spare parts and accessories. We also supply system solutions, product supports and operating after-sale services for rail transit operators in countries and regions, among others, Hong Kong, Malaysia and Turkey.

Shanghai Xunshan Information Technology Limited ("Shanghai Xunshan"), a subsidiary of the Company, principally engages in developing and operating aggregation platform for bus and metro riding code, and its main customers include China Telecom's Bestpay and Suning Finance. The platform has connected with public transportation systems including Hefei Bus, Zhongshan Bus, Zhanjiang Bus, Qingyuan Bus, Huainan Bus, Taizhou Bus, Jieyang Bus, etc..

One of the Company's subsidiaries Guangzhou Global Link Intelligent Information Technology Ltd. ("Global Link Intelligent") facilitates a plan for the construction of smart cities and engages in the livelihood application development. The CA-SIM personal mobile terminal with personal identity and security authentication will be used in new intelligence applications such as residential communities, office space, shopping malls, schools, hospitals, public transportation, public entertainment venues, and consumer payment.

2 OUR APPROACH TO ESG

The Group attaches great importance to technological research innovation, efficient and safe production and stringent quality assurance, the Board fully recognizes the significance of being a responsible corporate citizen. The Group is committed to environmental protection through energy conservation, by improving its energy efficiency in the assembly workshops and offices. The Group is committed to complying with local and relevant environment laws and regulations. The Group cares about its employee's development and protect their right and interests. By strict implementation and continued improvement of employment system, the Group provides a safe and healthy work place and fair development platform for its employee. The Group also heavily increases input in product's R&D and innovation. The Group monitors and ensure the implementation of environmental, social and governance measures in our operation processes from time to time.

Focus Areas

1. Ethics and Governance – Being ethical, responsible and transparent in how we do business.

2. Environment and Resource Efficiency – Using resources efficiently and minimizing environmental impact across our supply chain.

3. Better Workplace – We are committed to creating a workplace where our employees can thrive. Our approach focuses on living up our values, and provide a safe and comfortable workplace.

4. Reliability – Using the power of technology to enable commuters and audience to receive updated, accurate and reliable information promptly and to thrive in the digital world.

3 OUR STAKEHOLDERS

Our stakeholders are any group or individual who influences or is impacted by Global Link's business operations or who are interested in how we address our priorities. Engagement with stakeholders is important to confirm we understand their expectations and respond to their various interest and concerns.

Our approach to stakeholder engagement is guided by our Group's values. Our engagement takes many forms, including face to face meeting, exhibition, market research, and surveys. We are active in the railway transport industry groups, working with train manufacturers and technology providers, and have a corporate communication team across the Group that manages relationships with specific stakeholder groups.

Our commitment extends to building trust with our stakeholders by being transparent, responsive and accountable. The following table presents a list of our stakeholders and their interests and how we engage with them.

3 OUR STAKEHOLDERS *(continued)*

Stakeholder	Engagement Method	Topics	Action
Shareholders	Investor relations communication and Shareholder meeting	– Financial performance – Governance	We provide information on strategies, policies, and performance through our quarterly report, interim report, annual report and announcement.
Employees	Meeting and Staff interview	– Career – Training – Health and Safety – Workplaces	We provide training, promotion, decent wages, safety and respectful workplace.
Customers	Business relationship/ Feedback	– Product quality – Reliability – Warranty – Innovation – R&D – Price	We provide quality and high standard product. We have dedicated project team to develop the product. We can customize our system according to customer or railway operators requirements.
Commuters	Market Research	– Content Delivery – Satisfaction – Expectation	We regularly engage with commuters to understand their needs and how our information system was performed.
Industry	Forum	– Technology – Industry Standard	We engage with railway operators, as well as sector peers, and telecommunication specific association to understand the latest technology development.
Government	Notice	– One Belt One Road Initiative – National Development Plan – Transportation Plan – Tax	We engage with government and participate in government initiated programs to promote our product to overseas countries together with the train manufacturers.
Suppliers	Business relationship	– Quality – New Technology	We leverage on the advancement of technology to enable our information system to thrive.

4 MATERIALITY ASSESSMENT

The Group aims to make our business more transparent for stakeholders in respect of our ESG responsibilities and provide them with an opportunity to exchange opinion with us. Our goal is to build relationships with our stakeholders and to listen to their views. We collect feedback from our stakeholders from various platforms in order to enhance collaboration and communication with them. Then we analyze how important different topics are to our stakeholders and map them against their potential impact on our business through materiality process.

Overall, our ESG's material issues show below in the matrix chart remain largely unchanged since last year, with product quality, product reliability, and innovation rising significantly. In addition, our employees also concerned about the training and development, and their career path.

5 ENVIRONMENT

As the business of Global Link mainly involves in software development and hardware assembly without any production plant. The operation of the assembly centre in Guangzhou is mainly focused on railway transit information system product assembly and installation for train and software development. There is no significant hazardous waste, air emissions or wastewater generated directly from our production processes. All the hardware and components used in the system are purchased from vendors.

We are not in the heavily polluting industry. But we believe that as a responsible company we have an important role to play in addressing the environmental impact and we are committed to helping our customers and commuters to reduce energy consumption, emissions and develop a mitigation plan. We are also committed to improving our own operations by implementing a number of initiatives.

5 ENVIRONMENT *(continued)*

During the reporting period, we had complied with all relevant environmental laws and regulations in the PRC and Hong Kong that have a significant impact on the Group's business. There were no significant fines or penalties for non-compliance with the relevant environmental laws and regulations during the year. The Group did not discover any activity conducted by our Group that would cause material pollution and damage to the air, land, water sources and ecological environment in the vicinity.

5.1 Emission

Type of Emissions

The Group's operations generate 3 types of emissions, namely, greenhouse gas emission, non-hazardous waste and hazardous waste.

Greenhouse Gas Emission

The Group's R&D and Assembly Centre in Guangzhou has 4 vehicles. The transport fleets are the second largest contributor to our emissions. During the reporting period, the fleet has used approximately 8,064 liters of petrol. The Group's transport vehicles were bought and used for company affairs, employ transport and cargo all conformed to national emission standards.

Number of Vehicles	4 x < 2.5 tonnes car
Car Petrol consumed	8,064 Liters

During the reporting period, the Group' s Greenhouse gas ("GHG") was compiled and organized according to ISO14064 standard and includes Scopes 1 and 2 emissions. The Group's GHG emissions amounted to a total of approximately 176.9593916 tCO_2e and the intensity of GHG based on consumption per headcount is 0.89.

Our electricity consumption was the primary source of our GHG emission. The second primary source of emissions was the use of petrol for the company vehicles. We are committed to becoming more efficient in electricity usage at our office.

Scope 1 Direct GHG Emissions	
Petrol	17.89861787 tCO_2e
Scope 2 Indirect GHG Emissions	
Electricity Purchased	159.0607737 tCO_2e

Total GHG Emission	176.9593916 tCO_2e

5 ENVIRONMENT *(continued)*

5.1 Emission *(continued)*

Waste

As system developers and service providers, we do not directly generate large amounts of waste from the Group's operations. Our non-hazardous waste such as paper, and glass bottle is separated and recycled. The office and domestic waste generated in the office are collected and disposed of by the property management company. For our Guangzhou R&D and Assembly Centre, We will arrange third party recycling company to collect packaging materials such as discarded cartons and plastic foam boxes. For hazardous waste, such as computer motherboards scraps, when accumulating to a certain amount, we will arrange a third-party company to recycle for scrapping. The quantitative data on the total volume of hazardous and non-hazardous waste produced and the intensity were not disclosed due to the data collection mechanism still being developed.

5.2 Use of Resources

Energy

The Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the GHG emission for the Group.

The majority of energy consumed at our Hong Kong office and Shanghai office and our Guangzhou R&D and Assembly centre is from electricity. Approximately 177,543 kWh electricity were consumed by the Group during the reporting period. The intensity of electricity based on consumption per headcount is 892.

As mentioned in paragraph 5.1, under the heading "GHG Emission", we have used 8,064 litre of petrol during the reporting period. The intensity of petrol based on consumption per headcount is 40.52.

Water Resources

Our water consumption is mainly attributable to employee drinking water and office cleaning water. All our water were supplied by the local Municipal. During the reporting period, our Hong Kong office and Guangzhou R&D and Assembly centre use approximately 1,562.50 tonnes of water and the intensity of water based on consumption per headcount is 7.85. To mitigate water use, we promote water conservation and discuss to employees about our water savings initiatives, include water savings policies and procedures in employee inductions. There was no issue in sourcing water that is fit for our purpose and we have improved our equipment by installing dual flush toilets and sensor taps. As the result, we managed to reduce the water bill.

5 ENVIRONMENT *(continued)*

5.2 Use of Resources *(continued)*

Energy Used Efficiency

In addition to emission reduction, the Group also makes certain contribution to our environment by vigorously promoting the concept of resources conservation inside the Group and improving the environmental awareness of our staff.

Our management responds to the resources conversation initiative in its daily business operations by improving the efficiency of resources consumption through the following measures:

1) The office and the assembly line are using LED lights.

2) Encourage double site printing and reuse of waste paper.

3) Encourage paperless office by converting documents and other paper into digital forms.

4) Keep indoor air-conditioning temperature at 26° c during summer.

5) Require staff to turn off lights and computers when they are away from the office.

6) Admin staff performs a final check on the electricity control at the end of the day.

7) Separate the waste into recyclable waste and non-recyclable waste.

The Guangzhou R&D and Assembly center's air conditioners are maintained by our admin staff. We have reviewed the equipment maintenance so that the systems are working as designed and the temperature set points are suitable for efficient operation and staff comfort.

Since the introduction of the energy used efficiency's initiatives, we managed to reduced the electricity bill.

Product Packaging

Our main product packaging comprises of wooden card box, paper cartons, and plastic foam boxes. During the reporting period, we have used approximately 250 wooden card boxes, approximately 2,300 paper boxes, and approximately 3,307 plastic foam boxes. The installation of a complete railway transit information system for a train will use up to approximately 7 – 12 wooden card boxes, approximately 15 – 30 paper boxes, approximately 50 – 110 plastic foam boxes. All of the packagings is collected and reused in our daily operation, while the remaining were sent to the recycle companies or disposed of accordingly.

5 ENVIRONMENT *(continued)*

5.3 The Environmental and natural resources

The Group is well aware of its own environmental protection obligations, we continually explores opportunities to reduce the environmental impact of our production and operation. We have incorporated and implemented the 3Rs (Reduce, Reuse, and Recycle) principle into our operation, and established energy and resources management system to better utilize the resources in our assembly process, aiming to reduce the energy and water consumption, minimize the waste production and improve the reuse rate of the electronic components and packaging.

6 SOCIAL

6.1 Employment

6.1.1 Employment Practices

Rapid changes in technology, and relevant laws and regulations creates a more challenging market for the Group. Hence, Global Link's operations is changing to adapt as a result of new technologies and business processes.

We believe that our employees are our valuable assets that contribute to our success. We therefore are committed to retaining our employees by creating a comfortable workplace and providing development opportunities where our employees can personally develop and focus on the job. This includes encouraging open conversation between employees and supervisor, and recognizing, promoting and rewarding employees who work hard.

We are also committed to providing equal employment opportunities without regard to sex, age, race, religion, marital status. We had fully complied with the relevant labour laws and regulations in Hong Kong and in the PRC. The Group's employee handbook has set out the policies of recruitment, internal transfer, resignation procedure, compensation, performance appraisal, holiday and leaves to allow the employee to has a clear understanding of company policies and their rights.

In regard to the employee remuneration and benefit, all our employees enjoy fair, impartial and open salary review and promotion system. Performance appraisals are conducted by human resources admin team, and the scope and standard of the performance appraisal are determined based on the job nature of their respective positions in the Company.

In addition to the basic salary, our employees are also entitled to the performance-based bonus, and outstanding staff will receive year-end bonus or promotion or salary increment as an incentive.

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

Employee Profile

We have implemented a set of employment policies to attract and retain the talented people for the sustainable growth of the Group. During the reporting period, our business had a total workforce of 199 employees, 15 of them are from Global Link Intelligent, 171 of them are from Guangzhou Global Link, 4 of them are from Shanghai Xunshan and 9 of them are from Hong Kong headquarter. Our main workforce mainly comes from Guangdong province, and we have a very young workforce, of which approximately 76% of our employees are below 34 years old. Below is the composition of our employees by gender, age, employment mode and level, respectively:

	Total
Total Workforce	199
By Gender	
Male Employees	157
Female Employees	42
By Age	
Below 25 years old	64
25 – 34 years old	87
35 – 44 years old	29
45 – 55 years old	14
Above 55 years old	5
By Employment Mode	
Full time	186
Part-time	13
By Level	
Management	39
Non-management	160

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

Employee Profile (continued)

	Total
By Location	
Guangdong	123
Hubei	26
Hunan	11
Guangxi	9
Hong Kong	9
Heilongjiang	3
Ningxia	3
Shanghai	3
Fujian	2
Jiangxi	2
Sichuan	2
Hebei	1
Henan	1
Jilin	1
Jiangsu	1
Chongqing	1
Shandong	1

Employee Turnover Rate

Employee turnover rates can vary widely across industries. Our employee turnover rate during the reporting period is 36%, which mainly came from the after-sales personnel. The reason for the high turn-over rate is because the maintenance work of the metro depot was mainly night shift, and some of the assembly line employees, are secondary school interns, where they chose to pursue further studies when their internship expired.

We are investing more manpower and material resources to develop training programs to help in retaining employees.

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

Employee Turnover Rate (continued)

Table below show our employee turnover by gender, age group and geographical region.

	Total
Employee Turnover	76
Male Employee Turnover	62
Female Employee Turnover	14
By Age	
Below 25 years old	43
25 – 34 years old	31
35 – 44 years old	2
By location	
Guangdong	53
Henan	6
Hunan	6
Guangxi	4
Beijing	2
Fujian	2
Jiangxi	2
Anhui	1

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

6.1.2 Health and Safety

At Global Link, health and safety is our primary concern in our business operation. We take appropriate measures to prevent injuries at our workplace, assembly line and the project installation site. We implement a range of programs to prevent accidents, including on-site training, awareness program, fire drill and inspection. The Group works through a hierarchy of risk control measures when managing risk. Our safety code of practice provides guidance on the selection, provision, and use of personal protective equipment and requirements for specific hazards.

We did not discover any material violation of occupational health and safety related laws and regulations during the reporting period.

6.1.3 Development and Training

Learning and development is an important aspect of the training roadmap for all Global Link's Employees. All new employees are required to attend the orientation program which aims to induct and integrate new hires into the organizational culture seamlessly.

We provide skill training that allow our employees to adapt to the new challenges of technology and business expansion. We try to always make training practical and that employees at all levels have chances to participate in the training and the values of training and work experience may be inherited.

For our Guangzhou R&D and Assembly centre, we provide targeted skills training programs based on job roles. The training is in various forms, including training externally, internal centralized training, on-site guidance, and apprentice training. The average training time for our Guangzhou R&D and Assembly centre's employees is approximately 30 hours annually. Every training is serialized to ensure that every employee can master proper skills, knowledge, and skills for their working fulfillment and growth.

Shanghai Xunshan's main business in the current stage is to develop and operate aggregation platform for bus and metro riding code, and its main customers include China Telecom's Bestpay and Suning Finance. Average training hours of employees of Shanghai Xunshan amounted to 30 hours per year.

During the reporting period, Our Global Link Intelligent, which engaged in the construction, provision of service and operation for the development of Smart City has an average of 48 training hours annually. The training our Global Link Intelligence's employees undertook focused on skill upgrade, in order to meet the company's development needs.

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

6.1.4 Labour Standard

Global Link attaches particular importance to the issues of labour exploitation and child labour. It has formulated clear policies to prevent compulsory labour and employment of child labour and has insisted on monitoring the recruitment process frequently relevant labour laws and regulations in Hong Kong and in the PRC to prevent the occurrence of illegal conduct. The Company has complied with the relevant labour laws and regulations in Hong Kong and the PRC.

In particular, the Group will ensure that:

1. Job applicant must be at least 16 years old.

2. Global Link HR will confirm applicant age at the interview.

3. When signing employment contract, the identity card of the candidate will be verified. We will not recruit minors who are under the age of 16. The registration and verified materials for the hired personnel are properly kept.

The Group will not force any employees to work overtime. All overtime work is performed on a voluntary basis, and employees may choose to apply for overtime work, and a daily limit is set on the maximum number of overtime hours. Regulations on overtime work are clearly stated and explained under the relevant labour contract.

During the reporting period, the Group did not discovered any material violation of labour related laws and regulations.

6.2 Supply Chain Management

Supply Chain Management

Supplier Code of Conduct of Global Link provides a framework for how we manage our relationship with suppliers and contractors. Critical areas include product quality, warranty, information security, corruption and compliance with local laws and regulation. We always endeavor to improve our supplier management. The Supplier Code of Conduct sets out the procurement policies, processes, selection, and the minimum standards.

We expect suppliers to meet the standards described in our Supplier Code of Conduct and are working with them to achieve goals.

During the reporting period, Guangzhou Global Link maintained relationship with 106 suppliers, of that 70 suppliers are from Guangdong province, 33 from other provinces and 3 from overseas. Our key areas of spending include electronics and network equipment, as well as the procurement of services.

6 SOCIAL *(continued)*

6.3 Product Responsibilities

Technological disruption is fundamentally changing the way the world works. Today business, railway transportation operators, passengers are creating and demanding to shifts that would have seemed unimaginable even more than ten years ago. The transport mode shifted from bicycle to bus and now moves to railway transit. Hence, the technology of Global Link plays its due role in the daily lives of millions of commuters, ensuring that they have a safe and comfortable subway ride, and to receive the latest update information on the arrival station, and to watch programs and advertisement.

Our solution is developed with the aim of monitor the safety of train during operation, provide trigger alarm during emergency, arrival station notification and information system, and entertaining and increasing passenger comfort and satisfaction. Our products also offer advertising feature, so that railway operator can generate more revenue.

Our main products include Train borne Closed Circuit Television System, Railway Transit Passenger Information Display System, onboard public address system and passenger information display system in LED.

Shanghai Xunshan is a E-payment terminal solutions supplier, and mainly provides its customers (including China Telecom's service providers, transportation service providers and business owners) with business development solutions, system upgrading and maintenance services and auxiliary services.

Global Link Intelligence engages in developing products and livelihood application for the smart city.

All our products are subject to comprehensive testing to meet stringent customer requirements and relevant country's product standards and regulations. We try to minimize the defects in product quality, we rely on product testing and monitoring process which enables us to manage our product quality proactively. Our Guangzhou R&D and Assembly centre has obtained ISO 9001 certification. We offer after sale services and warranty for our customers. During the reporting period, our Group complied with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to our products.

We continue to review and update our communications to ensure that we provide our customers with the latest information. We take seriously our commitment to keep our customers and railway transportation operators informed about products. We do not want the customer to be provided with any false or misleading product information especially on the functionality of products. Our employees are required to maintain transparency in communication and marketing.

6.3.1 Intellectual Property

Intellectual property is a way to protect the fruit of our R&D efforts and support our business. We take a thorough and persistent approach against any counterfeit goods and intellectual property infringements. We have established clear rules and procedure to archive our R&D patterns, trademark, copyright and right of authorship of our products, especially for the software and hardware we developed.

6 SOCIAL *(continued)*

6.3 Product Responsibilities *(continued)*

6.3.2 Customer Data Privacy

Our business in railway transit information system doesn't deal directly with the consumers, but only with commercial customers. However, our subsidiary, Global Link Intelligent deals with the Smart City application and software development, in which it will deal directly with the resident personal data. Our customers and the community are concerned about who has access to this data and we're committed to protecting customer's data and security access from intrusions and unauthorized access.

The Group Data Security Framework includes customer data privacy, information security, and training for employees on the appropriate processing of the personal data belonging to our customers and employees. Our robust information system applies strict security processes, authorization, and firewall and defines minimum requirement, based on the latest standard for information security management.

All our employees who come on-board are trained and informed about our Group's Data Security Policies.

6.4 Anti-Corruption

Global Link's Employee Code of Conduct establishes standard and rules for all employees on anti-corruption, how to handle bribery and how to make a report by employees on suspected misconduct or illegal acts.

Standards apply to each risk area and cover employee ethical behavior, both personally and professionally. We take a zero-tolerance approach to fraud and corruption. All operating entities are required to perform an annual anti-corruption risk assessment, which is monitored by the head office.

The compliance training of anti-corruption is compulsory for all employees. We further strengthen our anti-corruption and anti-bribery controls by providing yearly training to our front-line employees and purchase department.

During the reporting period, the Group had complied fully with all the relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

6.5 Community Investment

The Group believes that community involvement may facilitate social development in a harmonious and organic manner. In order to operate as a responsible corporate citizen and put its social commitment into practices, the Group plans to further encourage its staff to participate in social charity activities, such as youth education or elderly nursing and caring.

ESG INDEXES

HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX		
Aspect	**Section**	**Remark**
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Employment and Labour Practices		
B1. Employment Practices	6.1.1	page 43
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INDEPENDENT AUDITOR'S REPORT

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Global Link Communications Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 60 to 144, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Impairment of intangible assets

Refer to notes 4(a)(i), 4(b)(i) and 15 to the consolidated financial statements and the accounting policy note 2(t)(ii) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 March 2020, the Group made impairment loss of HK$8,704,000 for the intangible assets. The Group has performed impairment review on these intangible assets in order to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amounts of these intangible assets are the higher of their value-in-use and fair value less costs of disposal. Management determined the value-in-use of these intangible assets based on the future cash flows generated by these assets. An independent external valuer was engaged by the management to perform such valuations. We identified impairment assessment on intangible assets as a key audit matter because it involves significant management's judgements and estimations on future cash flows, discount rate and growth rate in view of the future business prospect.	Our audit procedures to impairment assessment on intangible assets included, among others, the following: ▪ Evaluating the independent external valuer's competence, capabilities and objectivity; ▪ Appointing our valuation experts and involving them to evaluate the appropriateness of the methodologies used by the independent external valuer in determining the recoverable amounts; involving our valuation experts to review key assumptions used by the management and the independent external valuer; ▪ Evaluating the discount rate used to determine the recoverable amounts; ▪ Checking on a sample basis the accuracy and relevance of the input data used in determining the recoverable amounts; and ▪ Testing the mathematical accuracy of the calculations in determining the recoverable amounts.

KEY AUDIT MATTERS *(continued)*

Purchase price allocation of a business combination

Refer to notes 4(a)(vii) and 33 to the consolidated financial statements and the accounting policy note 2(e) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 March 2020, the Group acquired 60% of the issued share capital of Connect Cool Technology Limited and its subsidiary ("Connect Cool Group"). The Group engaged an external valuation expert to perform a valuation of the fair values of the identifiable assets and liabilities acquired in the acquisition as well as the contingent consideration. Assessing the fair values of the identifiable assets, liabilities acquired and contingent consideration requires the exercise of significant judgement. We identified acquisition accounting for the Connect Cool Group as a key audit matter because of the significant judgements required in the valuation of identifiable assets and liabilities acquired and the estimation of contingent consideration.	Our audit procedures to assess the acquisition accounting for the Connect Cool Group included the following: ▪ inspecting the sales and purchase agreement with the vendor to understand the agreed terms and assessing the Group's acquisition accounting policies with reference to the requirements of the prevailing accounting standards; ▪ inspecting evidence of payments of the consideration to the vendor of the acquisition; ▪ evaluating the experience, competence, objectivity and independence of the external valuation expert engaged by the Group to value the acquired assets and liabilities and contingent consideration; ▪ assessing the process for identifying any intangible assets acquired and whether all applicable types of intangible assets had been considered with reference to the guidance in the prevailing accounting standards; ▪ challenging the methodology and key assumptions adopted by the external valuation expert in the estimation of the fair value of each significant individual asset and liability acquired and contingent consideration, which included discussing the valuation with management and comparing the key assumptions with market data, our knowledge of the business, including the Group's business plans supporting the acquisition; and ▪ assessing the methodology applied in the valuation with reference to the requirements of the prevailing accounting standards and in assessing the discount rate adopted by benchmarking against other comparable companies.

KEY AUDIT MATTERS *(continued)*

Impairment of goodwill

Refer to notes 4(a)(ii) and 14 to the consolidated financial statements and the accounting policy note 2(t)(ii) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Management performs impairment testing annually for the cash generating units (the "CGU") to which the goodwill was allocated. The calculation of the CGU's recoverable amount is complex and involves significant management's judgement and estimation, such as the forecasted cash flows, revenue growth rate and discount rate, which are sensitive to expected future market conditions and the CGU's actual performance. We focused on this area due to the size of goodwill balance and because management's assessment of the 'value in use' of the Group's CGUs involves significant judgement about future results of the business and the discount rate applied to future cash flow forecast.	Our audit procedures will be designed to challenge the management's impairment assessment included: ▪ Evaluating the independent external valuer's competence, capabilities and objectivity; ▪ Comparing the Group's financial forecast for the current year made as of acquisition date to actual results of the current year to assess the quality of management's forecasting process; ▪ Reconciling the cash flow forecasts to management's approved budgets and assessing the reasonableness of these budgets by comparing historical information business plan; ▪ Benchmarking the revenue growth rate adopted by the Group to the revenue growth rates adopted by other market players; ▪ Evaluating and discussing discount rate used in the calculations by comparing with the industry or market data; and ▪ Testing the mathematical accuracy of the underlying value-in-use calculations.

KEY AUDIT MATTERS *(continued)*

Impairment of trade receivables and contract assets

Refer to notes 4(a)(iii), 5(b), 18 and 19 to the consolidated financial statements and the accounting policies on note 2(t)(i) to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group has significant balances of trade receivables and contract assets as at year end. Given the size of the balances and the risk that some of the trade receivables and contract assets may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk. Loss allowance for trade receivables and contract assets are based on management's estimate of the lifetime expected credit losses ("ECL") to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables and contract assets, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. During the year ended 31 March 2020, the Group made provision for allowance of doubtful debts of HK$2,440,000 for the trade receivables and contract assets. We have identified recoverability of trade receivables and contract assets as a key audit matter because the magnitude of the trade receivables and contract assets and the estimation and judgement involved in determining the expected credit losses allowance of the trade receivables and contract assets.	Our audit procedures to recoverability of trade receivables and contract assets included, among others, the following: ▪ understanding and validating the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables and contract assets; ▪ testing on a sample basis, the accuracy of ageing profile of trade receivables and contract assets by checking to the underlying sales invoices; ▪ testing on a sample basis, the subsequent settlement of trade receivables and contract assets against bank receipts; ▪ performing audit procedures including, amongst others, reviewing the reasonableness of significant judgement used by the management in assessing the recoverability of trade receivables and contract assets and reviewing management's assessment of the recoverability of long outstanding and overdue trade receivables and contract assets; and ▪ testing the reasonableness of management's assumptions and inputs used to develop the provision matrix, through analyses of ageing of trade receivables and contract assets and historical credit loss experience, reviewing data and information that management has used, including consideration of forward-looking information based on specific economic data, and checking the arithmetic accuracy of management's computation of the ECL.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism through out the audit, we also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Poon Cheuk Ngai.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 22 June 2020

Poon Cheuk Ngai
Practising Certificate Number: P06711

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	6	**70,428**	95,626
Cost of sales		**(60,604)**	(67,620)
Gross profit		**9,824**	28,006
Other revenue and other net gain	7	**4,845**	4,579
Selling expenses		**(9,920)**	(19,102)
Administrative expenses		**(13,741)**	(12,557)
Fair value gain on contingent consideration payable	24(a)	**7,236**	–
Impairment loss of goodwill	14	**(5,716)**	–
Impairment loss of trade receivables and contract assets		**(2,440)**	(1,428)
Impairment loss of intangible asset	15	**(8,704)**	(6,446)
Other operating expenses		**(2,880)**	(3,250)
Loss from operation		**(21,496)**	(10,198)
Finance costs	9(c)	**(158)**	(269)
Loss before taxation	9	**(21,654)**	(10,467)
Income tax	10	**(365)**	–
Loss for the year		**(22,019)**	(10,467)
Other comprehensive loss for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating financial statements of foreign operations		**(2,416)**	(1,428)
Other comprehensive loss for the year, net of income tax		**(2,416)**	(1,428)
Total comprehensive loss for the year		**(24,435)**	(11,895)
Loss attributable to:			
Equity shareholders of the Company		**(23,192)**	(10,467)
Non-controlling interest		**1,173**	–
		(22,019)	(10,467)
Total comprehensive loss attributable to:			
Equity shareholders of the Company		**(25,550)**	(11,895)
Non-controlling interest		**1,115**	–
		(24,435)	(11,895)
Loss per share	11	**HK cents**	HK cents (restated)
– Basic and diluted		**(9.1)**	(5.0)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	13	**3,612**	1,399
Goodwill	14	**15,817**	–
Intangible assets	15	**657**	12,241
		20,086	13,640
Current assets			
Inventories	17	**2,515**	911
Contract assets	18	**3,609**	781
Trade and other receivables	19	**33,628**	52,995
Deposits and prepayments	21	**10,544**	9,931
Restricted bank deposits	22(a)	**–**	2,332
Cash and cash equivalents	22(b)	**94,107**	71,272
		144,403	138,222
Current liabilities			
Trade and other payables	23	**30,903**	34,311
Consideration payable	24(b)	**3,645**	–
Contract liabilities	18	**650**	464
Advances drawn on bills receivables discounted with recourse	25	**–**	1,163
Lease liabilities	26	**1,133**	–
Provision	27	**7,721**	13,609
Provision for taxation		**6,732**	7,030
		50,784	56,577
Net current assets		**93,619**	81,645
Total assets less current liabilities		**113,705**	95,285
Non-current liabilities			
Lease liabilities	26	**1,569**	–
Net assets		**112,136**	95,285
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital	29	**32,638**	20,888
Reserves	29	**77,954**	74,397
		110,592	95,285
Non-controlling interest		**1,544**	–
Total equity		**112,136**	95,285

Approved and authorised for issue by the board of directors on 22 June 2020 and were signed on its behalf by:

Li Kin Shing
Director

Ma Yuanguang
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Merger reserve	Exchange reserve	Accumulated losses	Statutory reserves	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	20,888	158,967	2,135	11,233	(98,783)	12,884	107,324	(27)	107,297
Loss for the year	–	–	–	–	(10,467)	–	(10,467)	–	(10,467)
Exchange differences on translating financial statements of foreign operations	–	–	–	(1,428)	–	–	(1,428)	–	(1,428)
Total comprehensive loss for the year	–	–	–	(1,428)	(10,467)	–	(11,895)	–	(11,895)
Release upon disposal of a subsidiary (note 34)	–	–	–	(144)	–	–	(144)	27	(117)
Appropriation to statutory reserve	–	–	–	–	(1,701)	1,701	–	–	–
At 31 March 2019	20,888	158,967	2,135	9,661	(110,951)	14,585	95,285	–	95,285
Impact on initial application of – HKFRS 16 (note 3(b))	–	–	–	–	(33)	–	(33)	–	(33)
At 1 April 2019	20,888	158,967	2,135	9,661	(110,984)	14,585	95,252	–	95,252
Loss for the year	–	–	–	–	(23,192)	–	(23,192)	1,173	(22,019)
Exchange differences on translating financial statements of foreign operations	–	–	–	(2,358)	–	–	(2,358)	(58)	(2,416)
Total comprehensive loss for the year	–	–	–	(2,358)	(23,192)	–	(25,550)	1,115	(24,435)
Share issued under subscription agreement	11,750	29,140	–	–	–	–	40,890	–	40,890
Non-controlling interest arising from acquisition of subsidiaries	–	–	–	–	–	–	–	429	429
Appropriation to statutory reserve	–	–	–	–	(283)	283	–	–	–
At 31 March 2020	32,638	188,107	2,135	7,303	(134,459)	14,868	110,592	1,544	112,136

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 HK$'000	2019 HK$'000
Operating activities			
Loss before taxation		**(21,654)**	(10,467)
Adjustments for:			
Depreciation	9(b)	**1,532**	808
Amortisation of intangible assets	9(b)	**2,880**	3,250
Impairment losses on intangible assets	9(b)	**8,704**	6,446
Gain on disposal of a subsidiary	9(b)	**–**	(318)
Impairment loss on trade receivables and contract assets	9(b)	**2,440**	1,428
Provision for impairment of deposits	9(b)	**417**	71
Impairment loss of goodwill	9(b)	**5,716**	–
Fair value gain on contingent consideration payables	24(a)	**(7,236)**	–
Bank interest income	7	**(1,026)**	(766)
Gain on disposal of other financial assets	7	**(235)**	–
Finance cost	9(c)	**158**	267
Loss on written off of property, plant and equipment	9(b)	**19**	–
Changes in working capital		**(8,285)**	719
(Increase)/decrease in inventories		**(1,702)**	881
Decrease/(increase) in trade and other receivables		**13,332**	(31,103)
Decrease/(increase) in bills receivables discounted with recourse (note i)		**1,166**	(18,638)
Increase in deposits and prepayments		**(1,655)**	(4,241)
(Decrease)/increase in trade and other payables		**(5,410)**	41,518
Decrease in provision for product warranties		**(4,947)**	(2,407)
(Increase)/decrease in contract assets		**(2,906)**	288
Increase/(decrease) in contract liabilities		**220**	(3,333)
Cash used in operations		**(10,187)**	(16,316)
Taxation paid			
— PRC Enterprise Income Tax	10	**(230)**	–
Net cash used in operating activities		**(10,417)**	(16,316)
Investing activities			
Payment for the purchase of property, plant and equipment		**(382)**	(673)
Bank interest received		**1,026**	766
Withdrawal/(placement) of restricted bank deposits		**2,332**	(2,332)
Net cash outflow of acquisition of subsidiaries	33	**(10,804)**	–
Purchase of other financial assets		**(128,815)**	–
Proceeds from sale of other financial assets		**129,050**	–
Net cash outflow from disposal of a subsidiary	34	**–**	(1)
Net cash used in investing activities		**(7,593)**	(2,240)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 HK$'000	2019 HK$'000
Financing activities			
Advances drawn on bills receivables (note i)		**(1,163)**	18,368
Capital element of lease rentals paid		**(785)**	–
Interest element of lease rentals paid		**(155)**	–
Proceeds from borrowings from related parties		**3,780**	–
Proceeds from issuance of shares		**40,890**	–
Net cash generated from financing activities		**42,567**	18,368
Net increase/(decrease) in cash and cash equivalents		**24,557**	(188)
Cash and cash equivalents at the beginning of the year		**71,272**	72,153
Effect of foreign exchange rate changes		**(1,722)**	(693)
Cash and cash equivalents at the end of the year	22(b)	**94,107**	71,272

Notes:

(i) A decrease in bills receivables discounted with recourse of HK$1,166,000 (2019: increase of HK$18,638,000) and advances drawn on bills receivables of HK$1,163,000 (2019: increase of HK$18,368,000) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

(ii) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of HK$1,934,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 22(d)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

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

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is No. 401, Building D, Guangdong Software Park, No.11, Caipin Road, Science City of Guangzhou Development Zone, Guangzhou City, Guangdong Province, the People's Republic of China. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investments holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2020 comprise the Company and its subsidiaries (together referred as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– other financial assets (see note 2(f))

– contingent consideration arrangement (see note 2(e))

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balances. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(t)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Business combination and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 5(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(o)(vi)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Other investments in debt and equity securities *(continued)*

(i) Investments other than equity investments (continued)

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

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

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(t)(ii)).

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment *(continued)*

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Furniture and fixtures	5 years
– Office equipment	5 years
– Leasehold improvements	5 years or over the lease term whichever is shorter
– Tools and equipment	5 to 10 years
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, being the fair value at the date of acquisition, less accumulated amortisation and any accumulated impairment losses (see note 2(t)(ii)). Amortisation for intangible assets with finite useful life is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets (other than goodwill) *(continued)*

(i) Intangible assets acquired separately (continued)

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Application rights	10 years

(ii) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (see note 2(t)(ii)), on the same basis as intangible assets that are acquired separately.

(iii) Derecognition of intangible assets

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 April 2019

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(t)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets *(continued)*

As a lessee (continued)

(A) Policy applicable from 1 April 2019 *(continued)*

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 April 2019

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

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

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(o)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(t)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(o)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Contract assets and contract liabilities *(continued)*

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

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

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a first-in-first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(t)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 2(t)(i).

(n) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of merchandises or the provision of services in the ordinary course of the Group's business.

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other revenue recognition policies are as follows:

(i) Supply, development and integration of passenger information management system

The supply of passenger information management system and the related development and integration services represent a single combined performance obligation over which control is considered to be transferred point in time, except for certain made-to-order arrangements in which control is considered to be transferred over time. Revenue from the supply, development and integration of passenger information management system are recognised when the merchandise is delivered and the related development and integration services are completed except made-to-order arrangements. For those made-to-order arrangements, the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the transfer of merchandise to the customer.

(ii) Income from transportation e-payment solutions

Revenue from such services are recognised when related services are rendered.

(iii) Sale of electronic components

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

(iv) Investment income

Investment income from available-for-sale investments is recognised when the investors right to receive payment have been established.

(v) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

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

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(r)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(r)(i).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group's or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, contract assets and trade and other receivables);

Financial assets measured at fair value, including financial assets at fair value through profit or loss, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk *(continued)*

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(o)(vi) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income *(continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Credit losses and impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(t)(i) and (ii)).

(u) Segment reporting

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

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

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and measure the carrying amount of right-of-use asset as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. *New definition of a lease*

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

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

b. *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 13. For an explanation of how the Group applies lessee accounting, see note 2(i).

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.35%.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

b. *Lessee accounting and transitional impact (continued)*

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

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

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

	1 April 2019 *$'000*
Operating lease commitments at 31 March 2019	1,457
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(1,080)
	377
Less: total future interest expenses	(17)
Total lease liabilities recognised at 1 April 2019	360

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

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

b. Lessee accounting and transitional impact (continued)

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

	Carrying amount at 31 March 2019	**Capitalisation of operating lease contracts**	**Carrying amount at 1 April 2019**
	$'000	*$'000*	*$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	1,399	327	1,726
Total non-current assets	**13,640**	**327**	**13,967**
Lease liabilities (current)	–	360	360
Current liabilities	**56,577**	**360**	**56,937**
Net current assets	**81,645**	**(360)**	**81,285**
Total assets less current liabilities	**95,285**	**(33)**	**95,252**
Net assets	**95,285**	**(33)**	**95,252**
Accumulated losses	110,951	33	110,984
Equity attributable to equity shareholders of the Company	95,285	(33)	95,252
Total equity	**95,285**	**(33)**	**95,252**

c. Impact on the financial result, segment results and cash flows of the Group

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

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 22(d)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 22(d)).

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

c. Impact on the financial result, segment results and cash flows of the Group (continued)

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

	2020				2019
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note 1)* (C)**	**Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B+C)**	Compared to amounts reported for 2019 under HKAS 17
	$'000	***$'000***	***$'000***	***$'000***	*$'000*
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Loss from operations	**(21,496)**	**895**	**(940)**	**(21,541)**	(10,198)
Finance costs	**(158)**	**155**	**–**	**(3)**	(269)
Loss before taxation	**(21,654)**	**1,050**	**(940)**	**(21,544)**	(10,467)
Loss for the year	**(22,019)**	**1,050**	**(940)**	**(21,909)**	(10,467)
Reportable segment profit (adjusted EBITDA) for year ended 31 March 2020 *(note 8)* impacted by the adoption of HKFRS 16:					
– The PRC	**(1,773)**	**1,050**	**(940)**	**(1,663)**	18,265
– Hong Kong	**263**	**–**	**–**	**263**	96

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

c. *Impact on the financial result, segment results and cash flows of the Group (continued)*

	2020			2019
	Amounts reported under HKFRS 16 (A) $'000	Estimated amounts related to operating leases as if under HKAS 17 *(notes 1 & 2)* (B) $'000	Hypothetical amounts for 2020 as if under HKAS 17 (C=A+B) $'000	Compared to amounts reported under HKAS 17 $'000
Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Net cash used in operating activities	**(10,417)**	**(940)**	**(11,357)**	**(16,316)**
Capital element of lease rentals paid	(785)	785	–	–
Interest element of lease rentals paid	(155)	155	–	–
Net cash generated from financing activities	**42,567**	**940**	**43,507**	**18,368**

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) *Impairment of property, plant and equipment and intangible asset*

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible asset may not be recoverable, the asset may be considered "impaired", and an impairment loss is recognised in accordance with the accounting policy for impairment of property, plant and equipment and intangible asset as described in note 2(t)(ii). The carrying amounts of property, plant and equipment and intangible asset are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposals and its value in use.

In assessing value in use, expected cash flows generated by the asset 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 assets, which requires significant judgement relating to level of revenue and the amount of operating costs and discount rates. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in future periods. At 31 March 2020, the carrying amount of property, plant and equipment and intangible assets were approximately HK$3,612,000 (2019: HK$1,399,000) and HK$657,000 (2019: HK$12,241,000) respectively.

ii) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2020, the carrying amount of goodwill was approximately HK$15,817,000 (2019: Nil).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

iii) *Measurement of the expected credit loss ("ECL") for trade and bills receivables and contract assets*

The measurement of the expected loss allowance for trade receivables and contract assets are areas that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Further details are set out in note 5(b) Credit Risk.

At 31 March 2020, the carrying amount of trade and bills receivables and contract assets of the Group are HK$31,060,000 and HK$3,609,000 respectively (2019: HK$48,693,000 and HK$781,000 respectively).

iv) *Useful lives of property, plant and equipment and depreciation*

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

v) *Write down of inventories*

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 2(k). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value. As at 31 March 2020, the carrying amount of inventories was approximately HK$2,515,000 (2019: HK$911,000).

vi) *Provision*

A provision is recognised when a present obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Significant estimation is required in determining the amount of certain obligations. Where the final outcomes of these obligations are different from the amounts that were initially recognised, adjustments will be made according to the latest information available.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

vii) Acquisition of subsidiaries

The Group conducted purchase price allocation based on the fair value of the identifiable assets and liabilities in the relevant business of the acquisition date. The fair value of relevant identifiable assets and liabilities are assessed by the independent valuer based on the business forecasts and the key assumptions provided by the management and the adoption of the appropriate valuation methodology. If different judgements or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

(b) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

i) Impairment of assets

The Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying amount of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

ii) Income taxes

Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. As at 31 March 2020, the carrying amount of provision for taxation was approximately HK$6,732,000 (2019: HK$7,030,000).

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets

The Group has classified the following financial assets under the category of "financial assets at amortised cost":

	2020 HK$'000	2019 HK$'000
Contract assets	**3,609**	781
Trade and other receivables	**33,628**	52,995
Restricted bank deposits	**–**	2,332
Cash and cash equivalents	**94,107**	71,272
	131,344	127,380

Financial liabilities

The Group has classified the following financial liabilities under the category of "financial liabilities at amortised cost":

	At 31 March 2020 HK$'000	At 1 April 2019 HK$'000	At 31 March 2019 HK$'000
Contract liabilities	**650**	464	464
Trade and other payables	**28,601**	31,880	31,880
Lease liabilities	**2,702**	360	–
Advances drawn on bills receivables discounted with recourse	**–**	1,163	1,163
Consideration payable	**3,645**	–	–
	35,598	33,867	33,507

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors periodically reviews the Group's exposure to market risk, including changes in interest rates and currency exchange rates. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk

(i) The Group's credit risk is primarily attributable to trade and other receivables and contract assets.

(ii) In respect of trade and other receivables and contract assets, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing. For debtors with balances aged more than 90 days past due, further credit would not be granted until all outstanding balances are settled or have the discretion of the management to further extend the credit.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 32% (2019: 11%) and 66% (2019: 56%) of the total trade receivables before impairment loss was due from the Group's largest customer and the five largest customers respectively.

(iii) *Impairment of financial assets*

Trade receivables, contract assets, bills receivables, other receivables and cash and cash equivalents are subject the expected credit loss model.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets related to retention receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced in past years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due. Trade receivables of HK$2,410,000 (2019: HK$4,485,000) has been written off against allowance for doubtful debts during the year.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between the Group's different customer bases. The customer bases consist of the following groups:

Group 1: Long-term business relationship customers
Group 2: Other customers

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

Expected loss rates are based on actual loss experience over the past years and adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following tables presents the balances of gross carrying amounts and loss allowance in respect of the individually assessed trade receivables as at 31 March 2020 and 2019:

Group 1

31 March 2020	Not yet due	Past due: Within 90 days	91-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	–	0.14%	0.56%	0.82%	33.22%	100%	9.17%
– Trade receivables and contract assets (HK'000)	2,352	7,790	3,773	1,459	5,464	57	20,895
Loss allowance (HK$'000)	–	(11)	(21)	(12)	(1,815)	(57)	(1,916)
Net carrying amount (HK$'000)	2,352	7,779	3,752	1,447	3,649	–	18,979

31 March 2019	Not yet due	Past due: Within 90 days	91-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.05%	–	0.69%	0.94%	33.33%	–	1.15%
– Trade receivables (HK'000)	7,018	–	7,260	2,792	362	–	17,432
Loss allowance (HK$'000)	(3)	–	(50)	(26)	(121)	–	(200)
Net carrying amount (HK$'000)	7,015	–	7,210	2,766	241	–	17,232

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

Group 2

31 March 2020	Not yet due	Past due: Within 90 days	91-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	**3.63%**	**11.45%**	**29.09%**	**39.3%**	**66.55%**	**100%**	**29.8%**
– Trade receivables and contract assets (HK$'000)	**10,747**	**4,350**	**165**	**229**	**3,662**	**3,198**	**22,351**
Loss allowance (HK$'000)	**(390)**	**(498)**	**(48)**	**(90)**	**(2,437)**	**(3,198)**	**(6,661)**
Net carrying amount (HK$'000)	**10,357**	**3,852**	**117**	**139**	**1,225**	**–**	**15,690**

31 March 2019	Not yet due	Past due: Within 90 days	90-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	3.16%	7.85%	12.76%	20.86%	57.12%	100%	26.39%
– Trade receivables (HK$'000)	6,929	9,330	8,397	1,227	3,098	4,891	33,872
Loss allowance (HK$'000)	(219)	(732)	(1,072)	(256)	(1,769)	(4,891)	(8,939)
Net carrying amount (HK$'000)	6,710	8,598	7,325	971	1,329	–	24,933

There was no material impairment allowance on contract assets in accordance with HKFRS 9 at 31 March 2019.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follow:

	2020 **HK$'000**	2019 HK$'000
At 1 April	**9,139**	13,053
Increase in loss allowance recognised in profit or loss during the year	**2,440**	1,428
Written off of trade receivables	**(2,410)**	(4,485)
Exchange differences	**(592)**	(857)
At 31 March	**8,577**	9,139

Net impairment losses on trade receivables and contract assets amounted HK$2,440,000 (2019: HK$1,428,000) (Note 18 and 19) is included in the consolidated statement profit or loss and other comprehensive income. At 31 March 2020, trade receivables of HK$2,410,000 (2019: HK$4,485,000) has been written off against allowance for doubtful debts during the year.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Bill and other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which was immaterial.

Restricted bank deposits/Cash and cash equivalents

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

Bills receivables discounted with recourse

At 31 March 2019, the Group had discounted certain bills receivables to banks totaling HK$1,166,000. The transferees have recourse right to the Group in case of default. In such cases, the Group would have to repurchase these bills receivables at face value. These bills receivables mature at a period less than 30 days from respective dates of issue and the Group's maximum loss in case of default are HK$1,166,000, as at 31 March 2019.

(c) Liquidity risk

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

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

For the year ended 31 March 2020

	Within 1 year or on demand *HK$'000*	**More than 1 year** *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Carrying amount at 31 March 2020** *HK$'000*
Trade and other payables	**28,623**	**–**	**28,623**	**28,601**
Contract liabilities	**650**	**–**	**650**	**650**
Lease liabilities	**1,251**	**1,653**	**2,904**	**2,702**
Consideration payable	**3,683**	**–**	**3,683**	**3,645**
	34,207	**1,653**	**35,860**	**35,598**

For the year ended 31 March 2019

	Within 1 year or on demand *HK$'000*	More than 1 year *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount at 31 March 2019 *HK$'000*
Trade and other payables	31,880	–	31,880	31,880
Contract liabilities	464	–	464	464
Advances drawn on bills receivables discounted with recourse	1,163	–	1,163	1,163
	33,507	–	33,507	33,507

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's borrowings from related parties (2019: advances drawn on bills receivables discounted with recourse) carrying at fixed rates for the year ended 31 March 2020. The management of the Group consider that the Group's exposure to interest rate risk is not significant.

The Group is also exposed to cash flow interest rate risk in relation to variable rate restricted bank deposits, bank balances and deposits. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

(i) Interest rate profile

The following table details the interest rate profile of the Group's restricted bank deposits, bank balances and deposits at the end of the reporting period:

	2020		2019	
	Effective interest rates %	***HK$'000***	Effective interest rates %	*HK$'000*
Variable rate restricted bank deposits, bank balances and deposits	**0.001-2.30**	**94,038**	0.01-1.85	73,410

(ii) Sensitivity analysis

At 31 March 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate restricted bank deposits, bank balances and deposits, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$909,000 (2019: HK$703,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2019: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2019.

The management is of the opinion that the sensitivity analysis is unrepresentative of the Group's inherent interest rate risk as exposure at the end of reporting period does not reflect the exposure during the year.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through banking activities which give rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$") and Hong Kong dollars ("HK$").

The Group does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars ("HK$"), translated using the spot rate at the end of the reporting period.

	2020 ***HK$'000***	2019 *HK$'000*
Cash and cash equivalents		
US$	**74**	18,406
HK$	**–**	3,887
Net exposure arising from recognised assets and liabilities	**74**	22,293

(ii) Sensitivity analysis

As any reasonable changes in exchange rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for currency risk.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

During the years ended 31 March 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Investment funds, wealth management products, unlisted	Net asset value	N/A
Contingent consideration arrangement	Probabilistic weighted scenario analysis	Probability-weighted profit ranging from HK$5,312,000 to HK$10,172,000

At 31 March 2020, no sensitivity analysis is performed on contingent consideration arrangement as there is no impact to the Group's loss.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Fair value measurement *(continued)*

Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements *(continued)*

The movements during the year ended 31 March 2020 in the balance of these Level 3 fair value measurements are as follows:

	2020
	HK$'000
Other financial assets	
Balance at the beginning of the year	**–**
Purchases	**128,815**
Disposals	**(129,050)**
Gain on disposal recognised on profit or loss	**235**
Balance at the end of the year	**–**
Total gain for the year included in profit or loss for other financial assets held at the end of the reporting period	**235**

	2020
	HK$'000
Contingent consideration payable	
At 1 April	**–**
Addition through acquisition of subsidiaries	**10,881**
Fair value change recognised profit or loss	**(7,236)**
Derecognition	**(3,645)**
At 31 March	**–**
Total gain for the year included in profit or loss for liabilities held at the end of the reporting period	**7,236**

(g) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2020 and 2019.

6. REVENUE

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from the supply, development and integration of passenger information management system	**57,130**	95,626
Income from transportation e-payment solutions	**10,714**	–
Sale of electronic components	**2,584**	–
Total revenue	**70,428**	95,626

7. OTHER REVENUE AND OTHER NET GAIN

	2020 ***HK$'000***	2019 *HK$'000*
Bank interest income *	**1,026**	766
Gain on disposal of other financial assets	**235**	–
Government grants	**105**	815
Other income	**683**	864
Other revenue	**2,049**	2,445
Reversal of provision for product warranties, net	**1,672**	1,882
Exchange gain	**1,124**	252
Other net gain	**2,796**	2,134
	4,845	4,579

* The bank interest income was not on financial assets at fair value through profit or loss.

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group entities' operate. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Segment revenue of the PRC comprises the revenue from supply, development and integration of passenger information management system and income from transportation e-payment solutions.

Segment revenue of Hong Kong comprises the revenue from supply, development and integration of passenger information management system.

No reportable operating segment has been aggregated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The revenue, gross profit and results of the Group are allocated based on location of the Group entities' operations. Taxation charge is not allocated to reportable segment.

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

Sales between segments are carried out on arm's length basis. The revenue from external customers reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All assets are allocated to reportable segments. All liabilities are allocated to reportable segments other than current tax liabilities.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below:

8. SEGMENT INFORMATION *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	The PRC		Hong Kong		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Disaggregated by timing of revenue recognition						
– Overtime	**–**	–	**–**	–	**–**	–
– Point in time	**70,385**	95,626	**170**	–	**70,555**	95,626
	70,385	95,626	**170**	–	**70,555**	95,626
Reportable segment (loss)/profit	**(1,773)**	18,265	**263**	96	**(1,510)**	18,361
Research and development costs	**(15,258)**	(10,983)	**–**	–	**(15,258)**	(10,983)
Bank interest income	**22**	15	**1,004**	751	**1,026**	766
Gain on disposal of other financial assets	**235**	–	**–**	–	**235**	–
Depreciation	**(1,530)**	(807)	**(2)**	(1)	**(1,532)**	(808)
Amortisation of intangible assets	**(2,880)**	(3,250)	**–**	–	**(2,880)**	(3,250)
Provision for allowance of doubtful debts	**(2,440)**	(1,428)	**–**	–	**(2,440)**	(1,428)
Reversal of provision for product warranties, net	**1,672**	1,882	**–**	–	**1,672**	1,882
Provision for impairment of deposits	**(417)**	(71)	**–**	–	**(417)**	(71)
Gain on disposal of a subsidiary	**–**	318	**–**	–	**–**	318
Impairment loss on intangible assets	**(8,704)**	(6,446)	**–**	–	**(8,704)**	(6,446)
Fair value gain on contingent consideration payable	**7,236**	–	**–**	–	**7,236**	–
Impairment loss on goodwill	**(5,716)**	–	**–**	–	**(5,716)**	–
Loss on written off of property, plant and equipment	**19**	–	**–**	–	**19**	–
Reportable segment assets	**89,017**	97,961	**78,697**	57,205	**167,714**	155,166
Reportable segment assets includes:						
Additions to non-current assets (other than financial instruments and deferred tax assets)						
– Property, plant and equipment	**3,589**	672	**–**	1	**3,589**	673
– Goodwill	**22,238**	–	**–**	–	**22,238**	–
Reportable segment liabilities	**41,997**	49,674	**6,849**	3,177	**48,846**	52,851

8. SEGMENT INFORMATION *(continued)*

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

	2020 HK$'000	2019 HK$'000
Revenue:		
Total reportable segments' revenue	**70,555**	95,626
Elimination of inter-segment revenue	**(127)**	–
Consolidated revenue	**70,428**	95,626
Profit/(loss):		
Total reportable segments' (loss)/profit	**(1,510)**	18,361
Elimination of inter-segment profit	**127**	–
Reportable segment (loss)/profit derived from Group's external customers	**(1,383)**	18,361
Bank interest income	**1,026**	766
Gain on disposal of a subsidiary	**–**	318
Unallocated head office and corporate expenses	**(21,297)**	(29,912)
Consolidated loss before tax expenses	**(21,654)**	(10,467)
Assets		
Total reportable segments' assets	**167,714**	155,166
Elimination of inter-segment receivables	**(3,225)**	(3,304)
Consolidated total assets	**164,489**	151,862
Liabilities		
Total reportable segments' liabilities	**48,846**	52,851
Elimination of inter-segment payables	**(3,225)**	(3,304)
	45,621	49,547
Current tax liabilities	**6,732**	7,030
Consolidated total liabilities	**52,353**	56,577

8. SEGMENT INFORMATION *(continued)*

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2020	2019
	HK$'000	*HK$'000*
Supply, development and integration of passenger information management system	**57,130**	95,626
Income from transportation e-payment solutions	**10,714**	–
Sale of electronic components	**2,584**	–
	70,428	95,626

(d) Other geographical information

	Non-current assets	
	2020	2019
	HK$'000	*HK$'000*
The PRC	**20,082**	13,634
Hong Kong	**4**	6
	20,086	13,640

The Group's non-current assets, which include property, plant and equipment, intangible assets and goodwill. The geographical location of the Group's non-current assets are based on the physical location of the asset under consideration in case of tangible assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

(e) Information about major customers

Revenue from three (2019: three) customers in the PRC operating and reportable segment amounted to approximately HK$21,815,000, HK$9,995,000 and HK$9,248,000 (2019: HK$39,301,000, HK$23,359,000 and HK$17,438,000), which individually represent more than 10% of the Group's total revenue.

Two customers contributed 10% or more to the Group's total revenue for both 2020 and 2019.

9. LOSS BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
(a) Staff costs, including directors' emoluments *(note 12)*		
Salaries and wages	**20,833**	21,253
Contributions to retirement benefit schemes	**2,049**	2,811
Provision for staff welfare benefits	**60**	216
	22,942	24,280
(b) Other items		
Auditors' remuneration		
– audit service	**658**	678
– non-audit service	**99**	–
	757	678
Impairment loss of trade receivables and contract assets	**2,440**	1,428
Provision for impairment of deposits	**417**	71
Cost of inventories sold *	**60,604**	67,620
Research and development costs #	**15,258**	10,983
Depreciation of property, plant and equipment		
– self-owned assets	**637**	808
– right-of-use assets	**895**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	1,934
Amortisation of intangible assets (included in other operating expenses)	**2,880**	3,250
Gain on disposal of a subsidiary *(note 34)*	**–**	(318)
Impairment losses on intangible assets	**8,704**	6,446
Reversal of provision for product warranties, net ## *(note 27)*	**(1,672)**	(1,882)
Net exchange gain	**(1,124)**	(252)
Impairment losses of goodwill	**5,716**	–
Loss on written off of property, plant and equipment	**19**	–

* Cost of inventories sold includes approximately HK$12,269,000 (2019: HK$10,591,000) relating to staff costs and depreciation expenses which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

\# Research and development costs incurred for the year amounting to approximately HK$15,258,000 (2019: HK$10,983,000) which was included in cost of sales.

\## Reversal of provision for product warranties, net, and are included in "Other revenue and other net gain" on the face of the consolidated statement of profit or loss and other comprehensive income.

(c) Finance Cost

	2020 HK$'000	2019 HK$'000
Bank charges	**3**	2
Advances drawn on bills receivables	**–**	267
Interest on lease liabilities	**155**	–
	158	269

10. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong Profits Tax	**4**	–
PRC Enterprise Income Tax	**361**	–
Deferred taxation		
Origination and reversal of temporary differences	**–**	–
	365	–

(i) The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong was 16.5% for the year ended 31 March 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime. For this subsidiary the first HK$2 million of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for the year ended 31 March 2020 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019/20 subject to a maximum reduction of HK$20,000 for each business.

For the year ended 31 March 2019, no provision for Hong Kong Profits Tax had been made in the financial statements as the Group did not have assessable profits arising in Hong Kong.

(ii) A PRC subsidiary of the Company, Guangzhou Global Link Communications Inc. ("Guangzhou GL"), was qualified as "High and new technology enterprise" and subject to concessionary rate of PRC enterprise income tax (the "PRC EIT") at 15%, which was granted for further three years starting from December 2017. The remaining PRC subsidiaries were qualified as "Small Low-profit Enterprise" and subject to a concessionary PRC EIT rate.

(iii) The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

10. INCOME TAX *(continued)*

(b) Reconciliation between tax expenses and accounting loss at the applicable tax rates:

	2020 HK$'000	2019 HK$'000
Loss before taxation	**(21,654)**	(10,467)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the countries concerned	**(4,502)**	(3,617)
Tax effect of non-taxable income	**(1,376)**	(188)
Tax effect of non-deductible expenses	**4,513**	2,270
Tax effect of unused tax losses not recognised	**1,940**	4,791
Tax effect of utilisation of tax loss previously not recognised	**–**	(3,206)
Effect of concession tax rates of subsidiaries	**(499)**	–
Tax effect of temporary differences not recognised	**289**	(50)
Tax expense	**365**	–

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately HK$23,192,000 (2019: HK$10,467,000) and the weighted average number of approximately 253,826,105 ordinary shares (2019: 208,880,800 ordinary shares (restated)) in issue during the year.

(b) Diluted loss per share

The basic and diluted loss per share are the same for the year ended 31 March 2020 and 2019, as there are no dilutive potential ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for share consolidation on 8 January 2020. Details of share consolidation is set in note 29(a)(i).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Year ended 31 March 2020			
	Fees	Salaries, allowances and benefits-in-kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Li Kin Shing *(Chairman)*	80	195	10	285
Mr. Wong Kin Wa	80	195	10	285
Mr. Ma Yuanguang *(Chief Executive Officer)*	80	989	3	1,072
	240	1,379	23	1,642
Independent non-executive directors:				
Mr. Leung Kwok Keung	80	–	–	80
Mr. Cheung Sai Ming	80	–	–	80
Mr. Liu Chun Bao	80	–	–	80
	240	–	–	240
	480	1,379	23	1,882

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Year ended 31 March 2019			
	Fees	Salaries, allowances and benefits-in-kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Li Kin Shing *(Chairman)*	80	195	10	285
Mr. Wong Kin Wa	80	195	10	285
Mr. Ma Yuanguang *(Chief Executive Officer)*	80	989	18	1,087
	240	1,379	38	1,657
Independent non-executive directors:				
Mr. Leung Kwok Keung	80	–	–	80
Mr. Cheung Sai Ming	80	–	–	80
Mr. Liu Chun Bao	80	–	–	80
	240	–	–	240
	480	1,379	38	1,897

Of the five individuals with the highest emoluments, one (2019: one) is director of the Company whose emoluments are disclosed in note 12. The aggregate of the emoluments of the remaining four (2019: four) individuals are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and other emoluments	**1,317**	1,316
Contributions to retirement benefit scheme	**33**	55
	1,350	1,371

The number of non-director and non-chief executive, highest paid employee whose remuneration fell within the following bands is as follows:

	2020	2019
Nil to HK$1,000,000	**4**	4

During the year ended 31 March 2020, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2019: Nil).

None of the directors has waived any emoluments during the year ended 31 March 2020 (2019: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Properties leased for own use HK$'000	Total HK$'000
Cost							
At 1 April 2018	244	1,106	2,531	737	1,638	–	6,256
Additions	–	46	76	255	296	–	673
Disposal of a subsidiary	–	(169)	–	–	(304)	–	(473)
Exchange alignment	(8)	(61)	(168)	(49)	(53)	–	(339)
At 31 March 2019	236	922	2,439	943	1,577	–	6,117
Impact on initial application of HKFRS 16 *(note)*	–	–	–	–	–	3,784	3,784
At 1 April 2019	236	922	2,439	943	1,577	3,784	9,901
Additions	–	124	–	–	258	3,207	3,589
Additions through acquisition of subsidiaries *(note 33)*	–	3	–	–	–	–	3
Written-off	–	–	–	–	(186)	–	(186)
Exchange alignment	(13)	(60)	(149)	(58)	(65)	(310)	(655)
At 31 March 2020	223	989	2,290	885	1,584	6,681	12,652
Accumulated depreciation and impairment							
At 1 April 2018	126	825	1,468	706	1,490	–	4,615
Charge for the year	26	57	603	58	64	–	808
Elimination on disposal of a subsidiary	–	(169)	–	–	(304)	–	(473)
Exchange alignment	(7)	(42)	(95)	(46)	(42)	–	(232)
At 31 March 2019	145	671	1,976	718	1,208	–	4,718
Impact on initial application of HKFRS 16 *(note)*	–	–	–	–	–	3,457	3,457
At 1 April 2019	145	671	1,976	718	1,208	3,457	8,175
Charge for the year	23	67	415	55	77	895	1,532
Written-off	–	–	–	–	(167)	–	(167)
Exchange alignment	(9)	(42)	(131)	(45)	(39)	(234)	(500)
At 31 March 2020	159	696	2,260	728	1,079	4,118	9,040
Carrying amount							
At 31 March 2020	64	293	30	157	505	2,563	3,612
At 31 March 2019	91	251	463	225	369	–	1,399

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to lease which were previously classified as operating leases under HKAS 17. See note 3.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	31 March 2020 HK$'000	1 April 2019 HK$'000
Properties held for own use carried at depreciated cost	(i)	**2,563**	327

(c) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 HK$'000	2019 (Note) HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Plant, machinery and equipment	**895**	–
Interest on lease liabilities *(note 9(c))*	**155**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020	**855**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	1,934

(d) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

(e) During the year, additions to right-of-use assets were HK$3,207,000. This amount related to the capitalised lease payments payable under new tenancy agreements.

Details of the maturity analysis of lease liabilities is set out in note 26.

(f) Properties leased for own use

The group leases office premises under leases expiring from one year. None of the leases includes variable lease payments.

(g) The Group was committed at 31 March 2020 to enter into a lease in respect of land and buildings of 2 years that is not yet commenced, the lease payments within 1 year and after 1 year but within 5 years are HK$171,000 and HK$171,000 respectively.

14. GOODWILL

	HK$'000
Cost	
At 1 April 2019	–
Arising on acquisition of subsidiaries *(note 33)*	22,238
Exchange adjustment	(846)
At 31 March 2020	21,392
Impairment	
At 1 April 2019	–
Impairment loss made during the year	5,716
Exchange adjustment	(141)
At 31 March 2020	5,575
Carrying amount	
At 31 March 2020	15,817

Goodwill is allocated to the Group's CGU of the business in transportation e-payment solutions in PRC.

The recoverable amount of the CGU was based on its value in use and was determined with the assistance of RHL Appraisal Limited, an independent professional qualified valuer not connected to the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below which does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Key assumptions used for the value-in-use calculations are as follows:

Terminal growth rate	3%
Discount rate	23%

The cash flow projections has taken into account the deteriorating financial performance of the transportation e-payment solutions business due to the unfavourable changes in recent months. Therefore, impairment loss on goodwill of HK$5,716,000 was made by the Group.

15. INTANGIBLE ASSETS

	Application rights
	HK$'000
Cost	
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	32,500
Accumulated amortisation and impairment	
At 1 April 2018	10,563
Amortisation for the year	3,250
Impairment for the year	6,446
At 31 March 2019 and 1 April 2019	20,259
Amortisation for the year	2,880
Impairment for the year	8,704
At 31 March 2020	31,843
Carrying amounts	
At 31 March 2020	657
At 31 March 2019	12,241

Intangible assets represent sole and exclusive right for certain applications of the Certificate Authority SIM ("CA-SIM") at Panyu Region, Guangdong Province of the PRC held by the Group.

The application rights have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 10 years.

During the year ended 31 March 2020, amortisation charge of HK$2,880,000 (2019: HK$3,250,000) has been charged to "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. At 31 March 2020, the recoverable amount of intangible assets is HK$657,000 (2019: HK$12,241,000).

The recoverable amount of intangible asset was based on its value in use and was determined with the assistance of LCH (Asia-Pacific) Surveyors Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projection based on financial budgets approved by management covering a five-year period, and at a discount rate of 41% (2019: 41%).

Due to the ancillary systems of CA-SIMS was still not yet comprehensive, the relevant scenario application was still needed to be improved for fulfilling the market needs. In addition, the launch time behind schedules and the change of preference of the target customers in the relevant scenario applications have been observed during the year ended 31 March 2019, resulting in lower estimated future revenue than previously forecasted. The estimated recoverable amount was lower than its carrying amount, hence an impairment loss of HK$6,446,000 was made for year ended 31 March 2019.

During the year ended 31 March 2020, the substitute of ancillary systems of CA-SIMS grew substantially in the market and preference of customers were further deteriorating. The estimated recoverable amount of the cash-generating unit was further lower than its carrying amount. Hence, further impairment loss of HK$8,704,000 was made for the year ended 31 March 2020.

16. SUBSIDIARIES

(a) The following is a list of principal subsidiaries at 31 March 2020:

Name of Company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Proportion of ownership interests: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
GL Limited *(note (ii))*	British Virgin Islands	21,052 Ordinary shares of US$1 each	100%	100%	–	Investment holding
Hilltop Holdings Group Limited *(note (ii))*	British Virgin Islands	10,000 Ordinary shares of US$1 each	100%	–	100%	Investment holding and holding of software rights
Tonnex Holdings Limited *(note (ii))*	British Virgin Islands	50,000 Ordinary shares of US$1	100%	100%	–	Investment holding
廣州勝億信息科技有限公司 *(note (i))*	PRC	Registered capital RMB5,000,000	100%	–	100%	Development of various community mobile Internet applications and related services
Guangzhou GL (廣州國聯通信有限公司) *(note (i))*	PRC	Registered capital HK$20,000,000	100%	–	100%	Provision of passenger information management systems
Global Link Communications (HK) Limited *(note (ii))*	Hong Kong	100 Ordinary shares	100%	–	100%	Provision of passenger information management systems
First Asset Securitization Holding Limited *(note (ii))*	British Virgin Islands	1 Ordinary share of US$1 each	100%	100%	–	Investments holding
First Asset Securitization Limited *(note (ii))*	Hong Kong	1 Ordinary share	100%	–	100%	Investments holding
廣州國聯智慧信息技術有限公司 *(note (i))*	PRC	Registered capital HK$17,000,000	100%	–	100%	Development of various community mobile Internet applications and related services
Global Link Intelligent Parking Investment Company Limited *(note (ii))*	Hong Kong	1 Ordinary share	100%	–	100%	Dormant
Scapeway Limited *(note (ii))*	British Virgin Islands	1 Ordinary share of US$1 each	100%	100%	–	Investment holding
Connect Cool Technology Limited *(note (ii))*	Hong Kong	100 Ordinary share of HK$1 each	60%	60%	–	Investment holding
上海尋山信息科技有限公司 *(note (i))*	PRC	Registered capital RMB10,000,000	60%	–	60%	Transportation e-payment solutions services

16. SUBSIDIARIES *(continued)*

(a) *(continued)*

Notes:

(i) Guangzhou GL, 廣州勝億信息科技有限公司, 廣州國聯智慧信息技術有限公司 and 上海尋山信息科技有限公司 are registered as wholly-foreign-owned enterprises under the PRC law with limited liabilities.

(ii) GL Limited, Hilltop Holdings Group Limited, Tonnex Holdings Limited, Global Link Communications (HK) Limited, First Asset Securitization Holding Limited, First Asset Securitization Limited, Global Link Intelligent Parking Investment Company Limited, Scapeway Limited and Connect Cool Technology Limited are registered as limited liability companies under the rules and regulations of their respective countries of incorporation.

(b) The following table lists out the information relating to the subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company eliminations:

	2020 ***HK$'000***	2019 *HK$'000*
NCI	**40%**	–%
Non-current assets	**7**	–
Current assets	**8,371**	–
Current liabilities	**(4,517)**	–
Net assets	**3,861**	–
Carrying amount of NCI	**1,544**	–
Revenue	**13,298**	–
Profit for the year	**2,934**	–
Other comprehensive loss	**(145)**	–
Total comprehensive income	**2,791**	–
Profit allocated to NCI	**1,173**	–
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**4,539**	–
Cash flows from investing activities	**1,192**	–
Cash flows from financing activities	**–**	–

17. INVENTORIES

	2020 HK$'000	2019 HK$'000
Spare parts and accessories	1,597	911
Merchandise	918	–
	2,515	911

The analysis of the amount of inventories recognised as expenses is as follows:

	2020 HK$'000	2019 HK$'000
Carrying amount of inventories sold	60,604	67,620

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 HK$'000	2019 HK$'000
Contract assets		
Arising from performance under passenger information management system	3,641	781
Less: loss allowance *(Note 5(b)(iii))*	(32)	–
	3,609	781

The Group's contracts for supply, development and integration of passenger information management system include payment terms which require stage payment. The Group also typically agrees to a retention period of one to five years for a maximum limit of 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactory passing inspection.

The amounts of contract assets that is expected to be recovered after more than one year is HK$1,865,000 (2019: Nil), all of which relates to retentions.

(b) Contract liabilities

	2020 HK$'000	2019 HK$'000
Contract liabilities		
Passenger information management system – Billings in advance of performance	650	464

18. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities *(continued)*

Movement in contract liabilities

	2020 HK$'000	2019 HK$'000
At 1 April	**464**	4,068
Decrease in contract liabilities as a result of recognising revenue during the year that included in the contract liabilities at the beginning of the period	**–**	(3,585)
Increase in contract liabilities as result of billing in advance	**220**	252
Exchange alignment	**(34)**	(271)
At 31 March	**650**	464

Typical payment terms which impact on the amount of contract liabilities recognised when the Group receives a deposit before commences of work for supply, development and integration of passenger information management system that will give rise to contract liabilities at the start of a contract, until the revenue recognised. The amount of the deposit was negotiated on a case by case basis with customers.

19. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**39,605**	51,304
Bills receivables	**–**	6,528
Trade and bills receivables	**39,605**	57,832
Less: Allowance for doubtful debts	**(8,545)**	(9,139)
	31,060	48,693
Other receivables	**2,568**	3,136
Bills receivables discounted with recourse *(note b)*	**–**	1,166
	33,628	52,995

19. TRADE AND OTHER RECEIVABLES *(continued)*

At 31 March 2020, included in trade receivables are retention receivable of Nil (2019: HK$2,723,000), which were withheld and would be released upon the expiry of maintenance periods.

All of the trade and other receivables are expected to be recovered within one year, except for retention receivables of Nil (2019: HK$1,492,000) at 31 March 2020 which were expected to be recovered after more than one year.

At 31 March 2019, certain bills receivables of approximately HK$1,166,000 were pledged to a bank for securing the advances drawn on bills receivables discounted with recourse.

(a) Age analysis

The following is an analysis of trade receivables and bills receivables by age, presented the respective revenue recognition dates and the issuance date of relevant bills respectively:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**9,100**	17,549
Between 91 and 180 days	**11,631**	8,579
Between 181 and 365 days	**4,123**	13,980
Between 1 and 2 years	**2,596**	5,654
Over 2 years	**3,610**	208
	31,060	45,970
Retention receivables	**–**	2,723
	31,060	48,693

Customers are generally granted with credit terms of 90 days. Generally, the Group does not hold any collaterals from customers. Further details on the Group's credit policy and impairment assessment are set out in note 5(b).

19. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Bills receivables discounted with recourse

At 31 March 2019, the amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 30 days. The Group recognises the full amount of the discount proceeds as liabilities as set out in note 20(a).

The aged analysis based on the invoice date is presented as follows:

	2020 **HK$'000**	2019 *HK$'000*
Within 90 days	**–**	1,166

20. TRANSFERS OF FINANCIAL ASSETS

(a) Bills receivables discounted with recourses

The following are the Group's financial assets as at 31 March 2020 and 2019 that are transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse:

	2020 **HK$'000**	2019 *HK$'000*
Carrying amount of transferred assets	**–**	1,166
Carrying amount of associated liabilities	**–**	(1,163)
Net position	**–**	3

(b) Endorsed bills receivable transferred to suppliers

As at 31 March 2019, the Group endorsed certain bills receivable accepted by banks (the "Banks") in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a total carrying amount in aggregate of HK$37,217,000. The Derecognised Bills will mature in one to six months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the Banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss arising from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts.

21. DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Deposits	10,265	9,562
Prepayments	279	369
	10,544	9,931

During the year, impairment loss of HK$417,000 (2019: HK$71,000) has been made to deposits paid to suppliers for goods and services, as management considered the amounts are not recoverable.

22. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

At 31 March 2019, the restricted bank deposits represent amounts withheld in a bank for settlement of bills payables.

At 31 March 2019, the interest rate on the restricted bank deposits was 0.30% per annum.

(b) Cash and cash equivalents

	2020	2019
	HK$'000	*HK$'000*
Cash at bank and on hand	94,107	71,272
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	94,107	71,272

(a) The interest rates on the cash at bank ranged from 0.001% to 1.14% (2019: 0.01% to 1.85%) per annum.

(b) Included in the cash and cash equivalents of the Group was approximately HK$17,214,000 (2019: HK$12,810,000) that were bank deposits placed with banks in the PRC and denominated in RMB. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

22. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Lease liabilities	**Advances drawn on bills receivables discounted with recourse**	**Borrowings from related parties**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(Note 32(c))*	*HK$'000*
At 31 March 2019	–	1,163	–	1,163
Impact of initial application of HKFRS 16 *(note 3)*	360	–	–	360
At 1 April 2019	360	1,163	–	1,523
Changes from financing cash flows:				
Capital element of lease rental paid	(785)	–	–	(785)
Interest element of lease rental paid	(155)	–	–	(155)
Proceeds from borrowings from related parties	–	–	3,780	3,780
Total changes from financing cash flows	(940)	–	3,780	2,840
Exchange adjustments	(80)	–	(93)	(173)
Other changes:				
Interest expense	155	–	–	155
Net off of bills receivables discounted with recourse *(note 38)*	–	(1,163)	–	(1,163)
Increase in lease liabilities from entering into new leases during the year	3,207	–	–	3,207
At 31 March 2020	2,702	–	3,687	6,389

22. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS *(continued)*

(c) Reconciliation of liabilities arising from financing activities *(continued)*

	Advances drawn on bills receivables discounted with recourse
	HK$'000
At 1 April 2018	–
Changes from financing cash flows:	
Proceeds from advances drawn on bills receivables discounted with recourse	18,368
Interest paid	–
Total changes from financing cash flows	18,368
Other changes:	
Interest expense	267
Net off of bills receivables discounted with recourse *(note 38)*	(17,472)
At 31 March 2019	1,163

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2.

(d) Total cash outflows for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020	2019
		(note)
	HK$'000	*HK$'000*
Within operating cash flows	**855**	1,934
Within investing cash flows	**–**	–
Within financing cash flows	**940**	–
	1,795	1,934

Note: As explained in the note to note 22(c) above, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2020	2019
	HK$'000	*HK$'000*
Lease rentals paid	**1,795**	1,934

23. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(note (b)(i))*	**21,836**	26,238
Other payables	**2,012**	2,136
Borrowings from related parties *(note 32(c))*	**3,687**	–
Bills payable *(note (b)(ii))*	**–**	2,332
Accrued wages	**1,066**	1,174
Payables for value-added tax	**2,302**	2,431
	30,903	34,311

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(b) Included in trade and other payables are trade payables and bills payables presented based on the purchase recognition date, that is, goods receipt date, with the following ageing analysis as at the end of the reporting period:

		2020	2019
		HK$'000	*HK$'000*
(i)	**Trade payables**		
	Within 90 days	**4,785**	2,902
	Between 91 and 180 days	**5,590**	3,933
	Between 181 and 365 days	**5,619**	17,504
	Between 1 and 2 years	**5,104**	1,331
	Over 2 years	**738**	568
		21,836	26,238
(ii)	**Bills payables**		
	Within 90 days	**–**	–
	Between 91 and 180 days	**–**	2,332
		–	2,332

As at 31 March 2019, bills payables of HK$2,332,000 were secured by restricted bank deposits of HK$2,332,000.

As at 31 March 2020, the Group does not have any bills payables.

24. CONTINGENT CONSIDERATION PAYABLE/CONSIDERATION PAYABLE

(a) Contingent consideration payable

The fair value of the contingent consideration payable represented the promissory note and profit guarantee in relation to the adjustments to the consideration from the acquisition of Connect Cool Group during the year ended 31 March 2020. Contingent consideration payable is measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration payable is as follows:

	2020	2019
	HK$'000	*HK$'000*
At fair value		
At 1 April	**–**	–
Arising from acquisition of Connect Cool Group *(note 33)*	**10,881**	–
Fair value change	**(7,236)**	–
Derecognition (transfer to consideration payable)	**(3,645)**	–
At 31 March	**–**	–

Adjustment to the consideration

Pursuant to the sale and purchase agreement entered into in relation to the acquisition of Connect Cool Group, in the event that the audited net profit after tax of Connect Cool Group for the 15 months period ended 31 March 2020 is less than HK$6,200,000, the vendor irrevocable undertakes to indemnity the Company the shortfall in accordance with the formula set out below:

Shortfall = HK$24,000,000 – (6,200,000 – NP) / 6,200,000

Where:

"NP" means the audited net profit after tax for the 15 months period ended 31 March 2020.

The fair values of consideration payable as at 31 March 2020 is based on the valuation performed by the directors of the Company. Details of fair value measurement are set out in note 5(f).

(b) Consideration payable

	2020	2019
	HK$'000	*HK$'000*
Consideration payable for acquisition of Connect Cool Group	**3,645**	–

Consideration payable is required to settle in July 2020 in accordance with sales and purchases agreement.

25. ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2020	2019
	HK$'000	*HK$'000*
Advances drawn on bills receivables discounted with recourse *(note)*	**–**	1,163

Note: The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 19(b)).

At 31 March 2019, the advances drawn on bills receivables discounted with recourse carried at fixed rates ranging from 3.55% to 5.20% per annum.

26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 March 2020		1 April 2019 *(Note)*		31 March 2019 *(Note)*	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	**1,133**	**1,251**	360	377	–	–
After 1 year but within 2 years	**1,569**	**1,653**	–	–	–	–
	2,702	**2,904**	360	377	–	–
Less: total future interest expenses		**(202)**		(17)	–	–
Present value of lease liabilities		**2,702**		360	–	–

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

27. PROVISION

The Group provides warranties for its products and undertakes to repair or replace item that fail to perform satisfactorily. The amount of provision for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

	2020
	HK$'000
At beginning of the year	13,609
Additional provision	3,939
Reversal of provision	(5,611)
Amounts utilised during the year	(3,512)
Exchange realignment	(704)
At end of the year	7,721
Portion classified as current liabilities	(7,721)
Non-current portion	–

28. DEFERRED TAXATION

(a) Deferred tax assets not recognised

As at 31 March 2020, the Group had unused tax losses of approximately HK$106,479,000 (2019: HK$110,193,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$20,656,000, HK$11,981,000, HK$16,967,000, HK$17,147,000 and HK$9,711,000 (2019: HK$8,988,000, HK$22,001,000, HK$12,762,000, HK$18,072,000 and HK$18,265,000 that will expire in 2020, 2021, 2022, 2023 and 2024 respectively) that will expire in 2021, 2022, 2023, 2024 and 2025 respectively according to the prevailing tax laws and regulations in the country in which the entity operates. Other losses may be carried forward indefinitely subject to the final assessment of the relevant tax authority.

As at 31 March 2020, the Group had deductible temporary differences of approximately HK$30,017,000 (2019: HK$30,105,000) respectively being not recognised. No deferred tax asset has been recognised due to the unpredictability of future profit streams for the relevant subsidiaries.

28. DEFERRED TAXATION *(continued)*

(b) Deferred tax liabilities not recognised

Pursuant to the PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investments enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group will be subject to 10% withholding tax on dividend receivable from a PRC subsidiary in respect of its earnings accumulated beginning on 1 January 2008.

At 31 March 2020, temporary differences relating to the undistributed profits of a PRC subsidiary for the period from 1 January 2008 to 31 March 2020 amounted to HK$3,877,000 (2019: Nil). Deferred tax liabilities of HK$388,000 (2019: Nil) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of that subsidiary and it has been determined that it is probable that these profits will be reinvested or not be distributed in the foreseeable future.

29. CAPITAL AND RESERVES

(a) Share capital

	Nominal value	**Number of shares**	**Amount**
			HK$'000
Authorised ordinary shares			
At 1 April 2018, 31 March 2019 and 1 April 2019	0.01	5,000,000,000	50,000
Share consolidation *(note i)*		(4,500,000,000)	–
At 31 March 2020	0.10	500,000,000	50,000
Ordinary shares, issued and fully paid			
At 1 April 2018, 31 March 2019 and 1 April 2019	0.01	2,088,807,500	20,888
Issuance of new shares *(note ii)*	0.01	1,175,000,000	11,750
	0.01	3,263,807,500	32,638
Share consolidation *(note i)*		(2,937,426,750)	–
At 31 March 2020	0.10	326,380,750	32,638

29. CAPITAL AND RESERVES *(continued)*

(a) Share capital *(continued)*

Notes:

(i) Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 6 January 2020, the share consolidation of every ten issued and unissued shares of HK$0.01 each into one consolidated share of HK$0.1 each became effective on 8 January 2020 (the "Share Consolidation").

(ii) On 13 November 2019, the Company allotted and issued new shares to Mr. Li Kin Shing at the subscription price of HK$0.0348 per share pursuant to the result of an ordinary resolution passed by shareholders at the special general meeting held on 24 October 2019. The proceeds from the issue of new shares was HK$40,890,000, resulting in a net increase in share capital and share premium of HK$11,750,000 and HK$29,140,000 respectively.

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

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

	Share premium	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018	158,967	(91,396)	67,571
Loss for the year	–	(12,553)	(12,553)
At 31 March 2019 and 1 April 2019	158,967	(103,949)	55,018
Issuance of new Shares	29,140	–	29,140
Loss for the year	–	(24,498)	(24,498)
At 31 March 2020	188,107	(128,447)	59,660

(c) Dividends

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

29. CAPITAL AND RESERVES *(continued)*

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(c).

(iii) Merger reserve

The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from Group reorganisation in 2002.

(iv) Statutory reserves

Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax after offsetting prior year losses to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to the reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(e) Capital management

The capital structure of the Group consists of restricted bank deposits of Nil (2019: HK$2,332,000) (note 22 (a)), cash and cash equivalents of approximately HK$94,107,000 (2019: HK$71,272,000) (note 22(b)) and advances drawn on bills receivables discounted with recourse of Nil (2019: HK$1,163,000) (note 25).

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group's overall strategy remains unchanged from 2019.

Neither the Company nor any of its subsidiaries was subject to externally imposed capital requirements.

30. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

31. OPERATING LEASE COMMITMENTS

At 31 March 2019, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payables as follows:

	2019
	HK$'000
Within 1 year	1,131
After 1 year but within 5 years	326
	1,457

The Group is the lessee in respect of premises for office and factory held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(i), and the details regarding the group's future lease payments are disclosed in note 26.

32. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in these financial statements, the Group has the following transactions with related parties during the year.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Salaries and other short-term employee benefits	**2,154**	2,135
Retirement scheme contributions	**35**	57
	2,189	2,192

(b) Transactions with related parties

Name of parties	**Nature of transactions**	**2020** ***HK$'000***	2019 *HK$'000*
Talent Information Engineering Co., Limited ("Talent") *(note i)*	Rental expense paid to Talent	**420**	420
China-Hong Kong Telecom Limited ("China-Hong Kong") *(note ii)*	Development and maintenance of website to China-Hong Kong	**170**	149
Directel Limited ("Directel") *(note ii)*	Development and maintenance of online platform and mobile application to Directel	**70**	149
China Elite Infor Co., Ltd. ("China Elite") *(note iii)*	Sales to China Elite	**–**	10

32. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

Notes:

(i) Mr. Li Kin Shing ("Mr Li"), a director of the Company, is one of the controlling shareholders of Talent.

(ii) One of the ultimate shareholders of China-Hong Kong and Directel is Mr. Li.

(iii) China Elite is a subsidiary of an intermediate company of the Company before 28 December 2018. The English name of China Elite are direct translation of the Chinese names. The directors consider the transaction was not a related party transaction beginning on 28 December 2018 since the directors of the Company resigned as directors of that intermediate holding company on 28 December 2018.

(c) Balance with related parties

At 31 March 2020, the Group had the following balance with related parties:

	2020 HK$'000	2019 HK$'000
Borrowings from related parties		
廣洲安眾網絡技術有限公司*(iii)(iv)*	**(3,174)**	–
China Elite Infor Co.,Ltd *(ii)(iv)*	**(513)**	–
	(3,687)	–
Amounts due from related parties		
一廣東網金網絡科技有限公司*(i)(v)*	**145**	104
Amounts due to related parties		
China Elite Infor Co.,Ltd *(i)(iv)*	**(17)**	–
Xiamen Elite Electric Co.Ltd *(i)(iv)*	**(54)**	(54)

Notes:

(i) The amounts are unsecured, interest-free and recoverable/(repayable) in demand and are included in "Trade and other receivables" (see note 19) and "Trade and other payables" (see note 23) respectively.

(ii) The borrowings from China Elite Infor Co.,Ltd are unsecured, bears interest at 5% per annum and repayable within one year and are included in "Trade and other payables"(see note 23).

(iii) The borrowings from 廣州安眾網路技術有限公司 are unsecured, interest-fee and repayable within one year and are included in "Trade and other payables".

(iv) One of the ultimate shareholders of 廣州安眾網路技術有限公司 and China Elite Info Co., Ltd and Xiamen Elite Electric Co.Ltd is Mr. Li King Shing, a director of the Company.

(v) The Executive Director of 廣東網金網絡科技有限公司 is Mr. Wong Kin Wa, a director of the Company.

33. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2020

On 4 April 2019, the Company, the vendor and Connect Cool Technology Limited (the "Target Company"), entered into an agreement, pursuant to which the Company has conditionally agreed to acquire and the vendor has conditionally agreed to sell the sale shares, representing 60% of interests in the Target Company. The Target Company holds 100% equity interest in 上海尋山信息科技有限公司(「上海尋山」). The Target Company and 上海尋山 are collectively referred to as the "Connect Cool Group". The acquisition was completed on 10 May 2019.

The total consideration of the acquisition is HK$24,000,000 subject to the profit guarantee as set out in the agreement. The Group paid HK$12,000,000 in cash to the vendor and settled the remaining consideration of HK$12,000,000 subject to adjustment as set out below.

Pursuant to the agreement, the vendor irrevocably warrants and guarantees that the audited net profit after tax of the Connect Cool Group for the 15 months period ending 31 March 2020 shall be not less than HK$6,200,000 (the "Guaranteed Profit"). In the event that the audited net profits after tax of the Connect Cool Group fails to meet the Guaranteed Profit, the vendor irrevocably undertakes to indemnify the Company the shortfall (the "Shortfall"). Accordingly, this constitutes a contingent consideration arrangement to the Group.

After the acquisition, the Group can tap into the transportation payment solutions industry in the PRC. This acquisition is accounted for using purchase price allocation method.

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of goodwill arising from the acquisition recognised at 10 May 2019 (the date of acquisition):

	HK$'000
Consideration:	
Cash	**12,000**
Contingent consideration payable *(note 24(a))*	**10,881**
Total consideration	**22,881**

33. ACQUISITION OF SUBSIDIARIES *(continued)*

The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follow:

	HK$'000
Plant and equipment	**3**
Trade and other receivables	**108**
Cash and cash equivalents	**1,196**
Trade and other payables	**(235)**
Total identifiable net assets	**1,072**
Non-controlling interest *(note i)*	**(429)**
Goodwill arising on acquisition *(note ii)*	**22,238**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(12,000)**
Cash and cash equivalents acquired	**1,196**
	(10,804)

Notes:

(i) The non-controlling interest recognised at the acquisition date were measured by reference to the non-controlling interest proportionate share of the recognised amounts of acquiree's identifiable net assets.

(ii) Goodwill is arisen in the acquisition of Connect Cool Group. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of the subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

During the period from the date of acquisition to the end of the reporting period, Connect Cool Group contributed HK$13,298,000 to the revenue of the Group and a profit of HK$2,934,000 to the loss of the Group for the year ended 31 March 2020. Had the acquisition occurred on 1 April 2019, the revenue and loss of the Group for the year ended 31 March 2020 would have been HK$70,465,000 and HK$22,053,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor is it intended to be a projection of future results.

Acquisition related costs amounting to HK$527,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss.

The fair value of trade and other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

34. DISPOSAL OF A SUBSIDIARY

For the year ended 31 March 2019

On 30 July 2018, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group has conditionally agreed to sell and the purchaser has conditionally agreed to purchase the entire interest held by the Group (i.e. 95%) in its subsidiary, 北京國聯偉業通信技術有限公司 for a cash consideration of RMB5. The disposal was completed on 16 October 2018. The net liabilities of the subsidiary at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Cash and cash equivalent	1
Shareholder's loan	(779)
Accrual and liabilities	(202)
	(980)
Non-controlling interests	27
Exchange reserve released upon disposal	(144)
Waiver of shareholder's loan	779
	(318)
Total consideration	–
Net liabilities disposed of	(318)
Gain on disposal of a subsidiary	318
Satisfied by cash	–
Analysis of the outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Cash	(1)

35. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020	2019
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	3	5
Investments in subsidiaries	15,971	362
Intangible assets	657	12,241
Amounts due from subsidiaries	–	11,190
	16,631	23,798
Current assets		
Other receivables	179	150
Deposits and prepayments	215	215
Cash and cash equivalents	75,029	52,763
Amounts due from subsidiaries	4,904	–
	80,327	53,128
Current liabilities		
Other payables	658	366
Consideration payable	3,645	–
Amount due to a subsidiary	357	654
	4,660	1,020
Net current assets	75,667	52,108
Net assets	92,298	75,906
Capital and reserves		
Capital	32,638	20,888
Reserves	59,660	55,018
Total equity attributable to owners of the Company	92,298	75,906

Approved and authorised for issue by the board of directors on 22 June 2020 and were signed on its behalf by:

Li Kin Shing
Director

Ma Yuanguang
Director

36. COMPARATIVE FIGURES

The group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

37. ULTIMATE CONTROLLING PARTY

At 31 March 2020, the directors consider that Mr. Li Kin Shing, the Chairman of the board of directors of the Company, through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2019, the Group had the following major non-cash transactions:

(i) Bill receivables discounted with recourse of HK$17,472,000 has been netted off against advances drawn on bills receivables discounted with recourse when the bills receivables discounted with recourse have been settled; and

(ii) Bills receivables of HK$37,217,000 has been netted off against trade payables when the endorsed bills receivables to certain of its suppliers have been settled.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of a business	1 January 2020*
Amendments to HKAS 1 and HKAS 8, Definition of material	1 January 2020
Amendments to HKFRS 10 and HKAS 28, Sales or contribution of assets between an investor and its associate and joint venture	To be determined
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform	1 January 2020
New Standard, HKFRS 17 Insurance contracts	1 January 2021

* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020 *(continued)*

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these consolidated financial statements, COVID-19 has resulted negative impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.