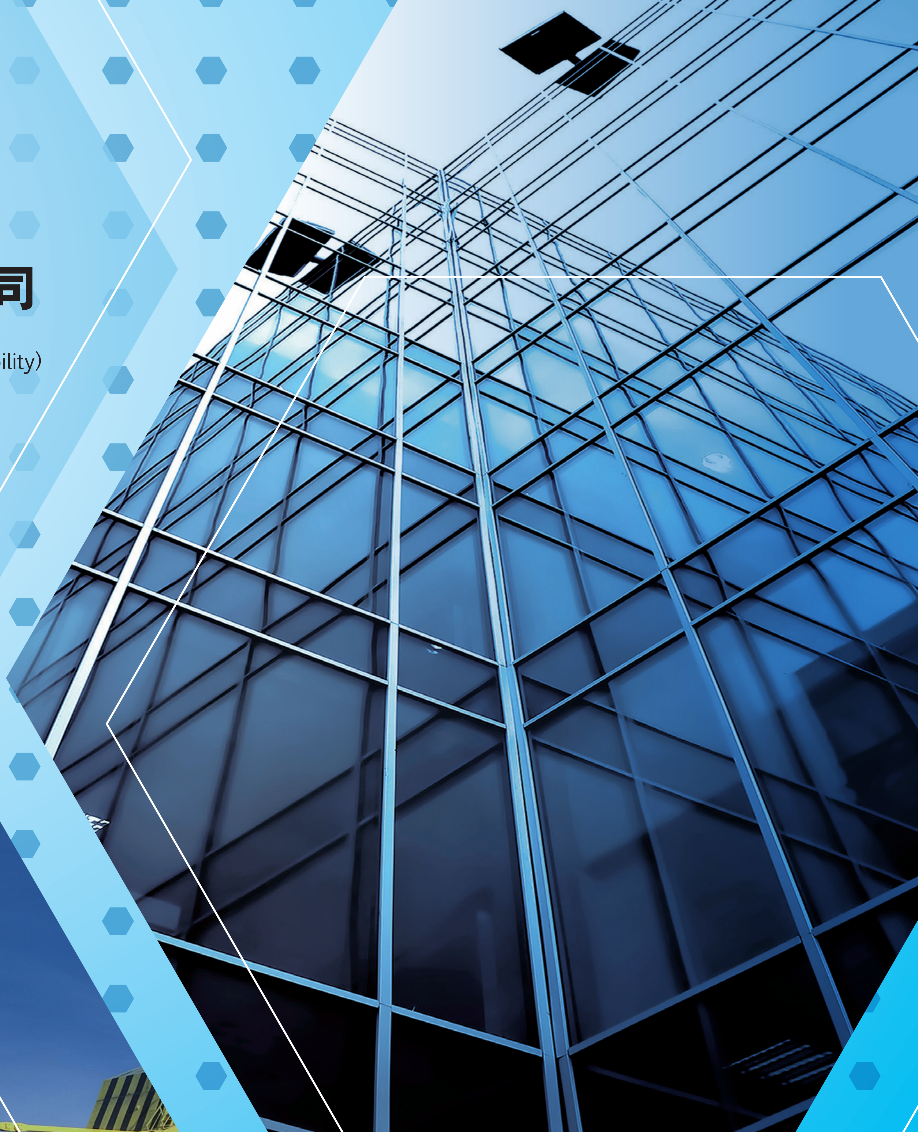
Vision Fame International Holding Limited

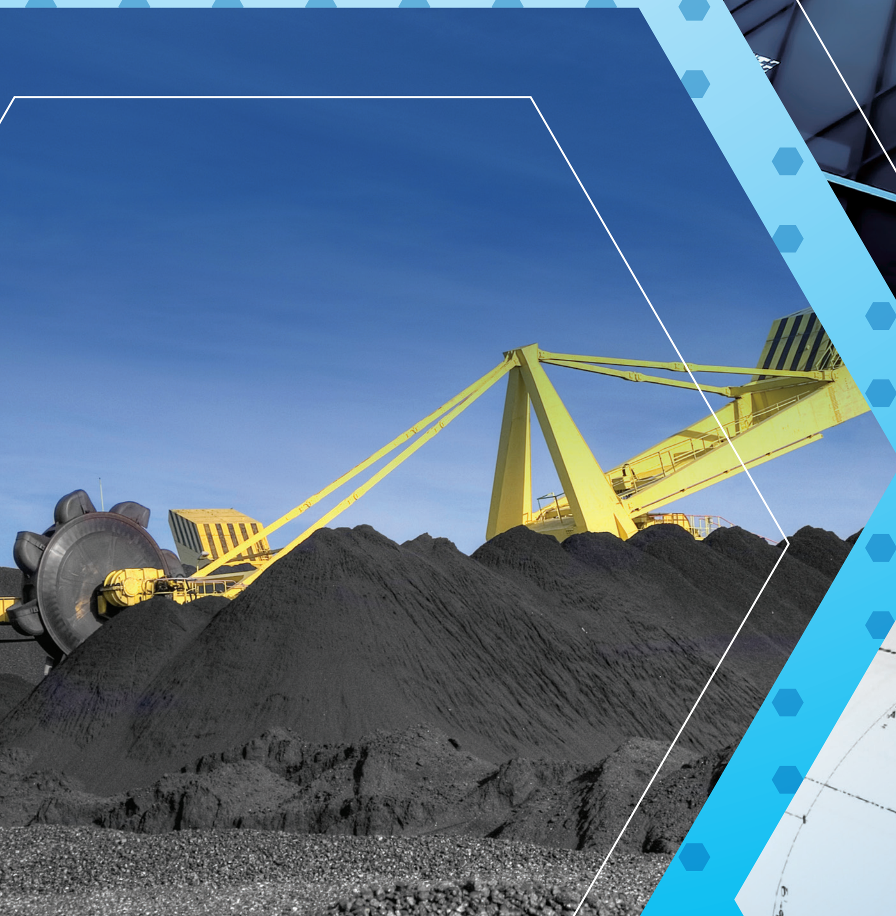
允升國際控股有限公司

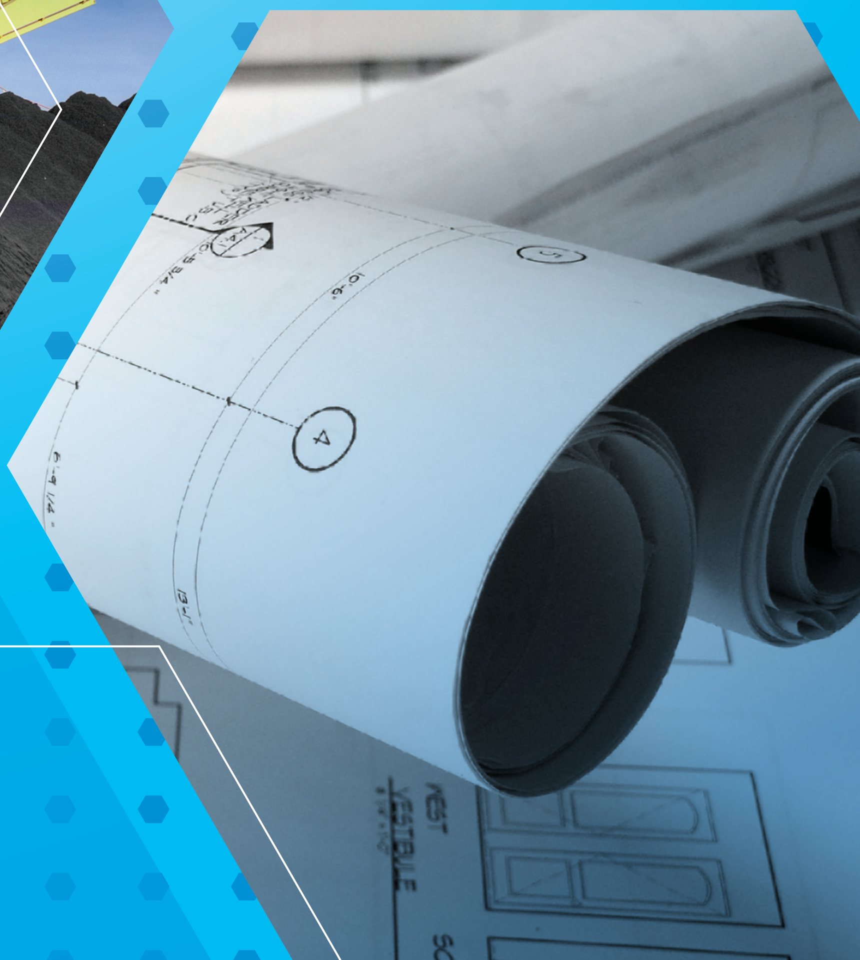
(incorporated in the Cayman Islands with limited liability)

Stock Code: 1315



ANNUAL REPORT 2020





CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chau Chit *(Chairman and Chief Executive Officer)*
Zhu Xiaodong *(appointed on 2 September 2019)*
Xie Xiaotao *(resigned on 27 August 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan

COMPLIANCE OFFICER

Zhang Wan *(appointed on 20 April 2020)*

COMPANY SECRETARY

Cheung Yiu Kuen

AUDIT COMMITTEE

Tam Tak Kei Raymond *(Chairman)*
Wong Kai Tung Simon
Wong Wai Kwan

REMUNERATION COMMITTEE

Wong Kai Tung Simon *(Chairman)*
Chau Chit
Tam Tak Kei Raymond
Wong Wai Kwan
Xie Xiaotao *(resigned on 27 August 2020)*

RISK MANAGEMENT COMMITTEE

Chau Chit *(appointed on 20 April 2020)*
Zhu Xiaodong *(appointed on 20 April 2020)*
Wong Wai Kwan *(appointed on 20 April 2020)*

NOMINATION COMMITTEE

Chau Chit *(Chairman)*
Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan
Xie Xiaotao *(resigned on 27 August 2020)*

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001 & 10, 20/F,
No. 118 Connaught Road West
Hong Kong

AUDITOR

RSM Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Limited
Chong Hing Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F, Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

COMPANY WEBSITE

www.visionfame.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I present the annual results of Vision Fame International Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2020 ("Fy2020").

The Group recorded total turnover of approximately HK$6,247 million for Fy2020, compared to total turnover of approximately HK$1,237 million for the financial year ended 31 March 2019 ("Fy2019"). Loss attributable to shareholders of the Company for Fy2020 is approximately HK$19.0 million (Fy2019: approximately HK$145.5 million).

Basic loss per share for Fy2020 is approximately HK0.32 cent (Fy2019: approximately 2.42 cent). The Board does not recommend any payment of dividends for Fy2020 (Fy2019: Nil).

Further analysis of the Group's results is set out in the "Management Discussion and Analysis" section.

BUSINESS OVERVIEW AND PROSPECT

Construction related businesses

With the continuing anti-government protests and the subsequent disruption caused by the outbreak of the coronavirus, 2020 would be another year of decline for the building industry.

The diminishing job opportunities in private building sector and the extreme price competition have kept the profit margin at low level. 2020 would be a challenging year to all construction companies. The Group would put more effort in operation costs control so as to keep the Group competitive in the market. Apart from that, we would explore other construction business opportunities in order to lower our business risk. Though 2020 is tough to the Hong Kong society, the Group would expect a market recover in 2021 as the Government may increase the construction expenditure in coming years.

Outside the mandatory two months circuit breaker implemented by the Singapore Government, stringent measures (safe accommodation and transport, safe workforce and safe worksite) have been introduced for construction companies to comply with in order to have a safe restart of works. The Group is actively working with the authorities and preparing the necessary in order to restart works as soon as possible.

Moving forward, upon being granted approval to restart works, the Group aims to expedite the construction works for all its projects and shortening the projects' remaining duration. Each project team has geared up preparations during the past three months by clearing submissions and conducting detail planning of the works. The Group is also working on maintaining relationships with its partner subcontractors and suppliers during this difficult time, and extending help towards them if necessary.

The Group has also taken the opportunity during this period to plan for its transformation in order to be ready for future challenges and opportunities. This includes digitalization of its operations; higher adoption of Building Information Modelling, E-management applications, E-inspection, online meetings, E-payment etc. The Group believes that by constantly reinventing itself and staying relevant to the ever-changing world, it will be able to emerge from this episode stronger and pursue higher achievements in the future.

Graphene production and trading of material business

After the resignation of the Company's former executive director, Mr. Dai Jialong ("Mr. Dai") on 7 September 2018, and the revelation of the pledge of bank deposit of RMB100 million of Wuxi Taike Nano New Material Co. Ltd ("Wuxi Taike")* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, without the acknowledgement and authorization of the Board, in favor of a company controlled by Mr. Dai, the Company's attention and efforts were drawn to the relevant investigation, and the release of the deposit pledge.

The deposit pledge in the sum of RMB100 million was subsequently released on 23 August 2019 and Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company, (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of Wuxi Taike by the Group to a third party (together, the "Prior Announcements").

The Company has appointed Mr. Zhu Xiaodong as executive director on 2 September 2019 and the Group would explore and strive to diversify its trading businesses in 2020.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to our shareholders and business partners for their support to and trust in the Board. My gratitude also extends to our management and staff for their loyalty and diligence in the achievements of the Group.

Chau Chit
Chairman and Chief Executive Officer
Vision Fame International Holding Limited
9 October 2020

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF THE GROUP

The Group recorded total turnover of approximately HK$6,247 million for the financial year ended 31 March 2020 ("Fy2020"), compared to turnover of approximately HK$1,237 million for the financial year ended 31 March 2019 ("Fy2019"). The Group recorded an increase in gross profit, from approximately HK$57.7 million in Fy2019 to approximately HK$145.4 million in Fy2020, which is mainly attributable to the increase in gross profit contributed by the trading of materials segment for the year.

The fluctuations in revenue and segment results are further discussed in the Results of Operations section below.

The loss attributable to shareholders of the Company for Fy2020 is approximately HK$19.0 million (Fy2019: approximately HK$145.5 million). The decrease in loss was mainly attributable to the absence of research and development cost, impairment losses on trade and other receivables and impairment losses on property, plant and equipment for Fy2020 (Fy2019: approximately HK$123.9 million in total):

Basic loss per share for Fy2020 is approximately HK0.32 cent (Fy2019: approximately HK2.42 cent).

The Board does not recommend any payment of dividends for Fy2020 (Fy2019: Nil).

RESULTS OF OPERATIONS

(i) Building Construction

Building construction segment recorded revenue of approximately HK$202 million (Fy2019: approximately HK$278 million) for Fy2020. Segment profit decreased from approximately HK$19.3 million in Fy2019 to approximately HK$16.2 million in Fy2020.

The decrease in the segment revenue and segment profit were mainly attributable to a full swing operation of two large scale building construction projects in Hong Kong in Fy2019 that had contributed more segment revenue and segment profit in the Fy2019.

(ii) Alterations, Renovation, Upgrading and Fitting-out ("A&A") Works

Revenue for the A&A works segment for Fy2020 was approximately HK$237 million (Fy2019: approximately HK$422 million) and segment profit was approximately HK$14.7 million (Fy2019: approximately HK$8.9 million).

The decrease in the segment revenue is in line with the decrease in number of A&A works projects in progress during the year. The average contract sum of A&A works contracts in progress for Fy2020 was amounted to approximately HK$348 million (Fy2019: approximately HK$503 million).

The decrease in the segment revenue from A&A works was also mainly attributable to the recognition of more revenue from a large scale A&A works project secured in early 2018 in Hong Kong with contract value of approximately HK$262 million which was in full swing operation in the Fy2019.

On the contrary, increase in segment profit was mainly attributable to additional construction costs in Fy2019 for completion of a large scale A&A works project secured in 2016.

(iii) Property Maintenance

Revenue for the property maintenance segment increased from approximately HK$538 million in Fy2019 to approximately HK$684 million in Fy2020 and segment profit remained constant at approximately HK$35.9 million in Fy2020 and Fy2019.

The property maintenance projects mainly included maintenance works for public sectors. The increase in segment revenue was mainly attributable to two large scale long term property maintenance contracts, with total contract value of approximately HK$1,695 million, which were in full swing operation in Fy2020. The two large scale long term property maintenance contracts had contributed approximately 85% of segment revenue during the Fy2020.

On the contrary, the segment profit from increase in revenue is offset by additional operating costs of a large scale long term property maintenance project in the Fy2020.

(iv) Graphene Production and Trading of Materials

Revenue for this segment for Fy2020 included sales of materials of approximately HK$5,124 million (Fy2019: HK$Nil) and sales of graphene of HK$Nil (Fy2019: approximately HK$66,000).

The Company has appointed Mr. Zhu Xiaodong as executive director on 2 September 2019 and the Group has diversified its trading businesses, such as trading of iron ores, cast iron and coal.

Segment profit was approximately HK$12 million (Fy2019: loss of approximately HK$142 million). Loss of Fy2019 was mainly attributable to the recognition of impairment loss on property, plant and equipment of approximately HK$50 million and impairment loss on trade receivables of approximately HK$62 million.

After the resignation of the Company's former executive director, Mr. Dai Jialong ("Mr. Dai") on 7 September 2018, and the revelation of the pledge of bank deposit of RMB100 million of Wuxi Taike Nano New Material Co. Ltd ("Wuxi Taike")* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, without the acknowledgement and authorization of the Board, in favor of a company controlled by Mr. Dai, the Company's attention and efforts were drawn to the relevant investigation, and the release of the deposit pledge.

The deposit pledge in the sum of RMB100 million was subsequently released on 23 August 2019 and Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company, (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Wuxi Taike by the Group to a third party.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong and healthy financial position. As at 31 March 2020, the current assets and current liabilities were stated at approximately HK$1,025.4 million (as at 31 March 2019: approximately HK$669.1 million) and approximately HK$661.8 million (as at 31 March 2019: approximately HK$319.7 million), respectively. The current ratio maintained at 1.55 times as at 31 March 2020 (as at 31 March 2019: 2.09 times). The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective period. As at 31 March 2020, the Group had total cash and bank deposits of approximately HK$87.9 million (as at 31 March 2019: approximately HK$258.5 million).

As at 31 March 2020, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK$243.0 million (as at 31 March 2019: approximately HK$248.0 million) and approximately HK$21.4 million (as at 31 March 2019: approximately HK$18.7 million) respectively. The Group's net cash balance (the sum of pledged bank deposits and restricted cash and cash and cash equivalents less interest-bearing bank and other borrowings in current portion) has decreased from approximately HK$253.5 million as at 31 March 2019 to approximately HK$87.9 million as at 31 March 2020.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 31 March 2020, the Group had obtained credit facilities from various banks up to a maximum amount of approximately HK$154 million (as at 31 March 2019: approximately HK$200 million) and approximately HK$24.8 million (as at 31 March 2019: approximately HK$24.7 million) of the credit facilities has been utilized.

As at 31 March 2020, the gearing ratio of the Group was approximately 23.4% (as at 31 March 2019: approximately 33.8%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%. With its available bank balances and cash and existing available bank credit facilities, the Group has sufficient liquidity and financial resources to satisfy the financial requirements of its existing businesses.

PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and insurance companies to secure the banking facilities and performance bonds granted to the Group, as well as to secure the bank facilities of a related party:

	31 March 2020 HK$'000	31 March 2019 HK$'000
Pledged for securing the Group's banking facilities and performance bond		
Other receivables	**4,700**	6,277
Financial assets at fair value through profit or loss	**12,032**	11,675
Bank deposits	**59,266**	57,974
	75,998	75,926
Pledged for securing the banking facilities of a related party		
Bank deposits	**–**	116,960
Total	**75,998**	192,886

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020. Details could be referred to the "Business overview and prospect" of Chairman's Statement of this annual report.

Except for the above disclosed, there was no material acquisition or disposal of subsidiaries or associated companies by the Group in Fy2020.

SHARE SUBDIVISION

By an ordinary resolution passed at the extraordinary general meeting on 29 April 2016, each of the existing issued and unissued ordinary shares of approximately HK$0.01 each in the share capital of the Company was subdivided into five ordinary shares of approximately HK$0.002 each (the "Subdivided Shares") (the "Share Subdivision"). Upon the Share Subdivision having became effective on 3 May 2016 and at the date of this announcement, the Company's authorised share capital was approximately HK$20,000,000 divided into 10,000,000,000 ordinary shares of approximately HK$0.002 each, of which 6,000,000,000 ordinary shares were in issue and fully paid. Details of the Share Subdivision are set out in the Company's announcements dated 23 March 2016 and 29 April 2016 and the Company's circular dated 13 April 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks relating to constructions related segments

(i) The Group's construction works are labour-intensive in nature. In the event that there is a significant increase in the costs and demand of labour, the Group's staff cost and/or subcontracting cost will increase and thus lower its profitability. On the other hand, if the Group or its subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, the Group's operations and profitability may be adversely affected.

(ii) The Group needs to estimate the time and costs involved in projects in order to determine the fee. There is no guarantee that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the jobs may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

(iii) The projects undertaken by the Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion of the current projects. The Group has to go through the competitive tendering process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender competitively, our business and hence our revenue will be adversely affected.

Risks relating to graphene production and trading segment

(i) Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020. Details could be referred to the "Business overview and prospect" above.

(ii) The trading profit margin is relatively low and hence any significant impairment of trade receivables, and abnormal fluctuations of trading prices and exchange rates would affect the operating result of the Company.

Financial Risk

(i) The Group adheres to prudent financial management principle in order to control and minimise financial and operational risks. The Group has certain portion of bank balances and cash denominated in currencies other than the functional currencies of the relevant entities to which they relate. In addition, the Group's sales and purchases are mainly transacted in Hong Kong dollar, United States dollar, Singapore dollar and Renminbi. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required. Similarly, the Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

The financial risk management objectives and policies of the Group are shown in note 6 to the financial statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the end of each reporting period, the Group had provided the following guarantees:

	31 March 2020 HK$'000	31 March 2019 HK$'000
Guarantees in respect of performance bonds in favor of its clients	**101,226**	121,258

At the end of each reporting period, the Group had the following capital commitments:

	31 March 2020 HK$'000	31 March 2019 HK$'000
Contracted, but not provided for:		
Plant and machinery	**–**	11,781
	–	11,781

MOVEMENT OF INCOMPLETE CONTRACTS FOR THE YEAR ENDED 31 MARCH 2020

	31 March 2019 HK$'000	Contracts Secured HK$'000	Contracts Completed HK$'000	31 March 2020 HK$'000
Building Construction	1,004,158	254,127	(155,800)	**1,102,485**
Property Maintenance	2,054,646	1,148,161	(787,415)	**2,415,392**
Alteration, Renovation, Upgrading and Fitting-Out Works	420,363	267,807	(412,813)	**275,357**
	3,479,167	1,670,095	(1,356,028)	**3,793,234**

Building Construction segment

Contracts secured for the year ended 31 March 2020

Contracts	Commencement date	Contract value HK$'000
Construction of vehicle shelters, pass office extension & ancillary works at campus, Singapore	November 2019	46,205
Proposed additions and alterations to existing 2 primary schools in Singapore	January 2020	207,922
Total		254,127

Property Maintenance segment

Contracts secured for the year ended 31 March 2020

Contract	Commencement date	Contract value HK$'000
Term contract for the alterations, additions, maintenance and repair of buildings and lands and other properties for designated contract area Sham Shui Po, Tsuen Wan and Kwan Tsing of Kowloon, Hong Kong	April 2020	1,147,322
Subdividing works and mechanical, electrical and plumbing upgrading works at Marina Bay Sands, Singapore	September 2019	418
Remove steel beams at Skypark Pools and plumbing works at Marina Bay Sands, Singapore	March 2020	421
Total		1,148,161

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts secured for the year ended 31 March 2020

Contracts	Commencement date	Contract value HK$'000
Construction of new storage buildings at Tseung Kwan O Store and Shek Wu Hui Depot, CLP Hong Kong Limited, Hong Kong	August 2019	14,745
Tuen Mun building and bus depot toilets refurbishment for MTR Corporation Limited, Hong Kong	June 2019	9,990
Renovation, alterations and additions works for Belt & Road Resources Centre for Li Po Chun United World College, Hong Kong	June 2019	18,223
Improvement of lecture theatres at Tai Po campus for The Education University of Hong Kong	August 2019	19,127
Improvement works to lecture theatres at The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong	June 2019	22,390
Renovation for office at Hong Kong International School at Red Hill Road, Tai Tam, Hong Kong	June 2019	12,309
Fitting-out works for modern office of Contract Advisory Unit at EMSD Headquarter, Hong Kong	June 2019	4,700
Renovation of meeting rooms, To Yuen Building for City University of Hong Kong	August 2019	2,980
Renovation of Lee On Shopping Centre, New Territories, Hong Kong	August 2019	5,290
Replacement of solar water heaters for Tung Chung Municipal Services Building of EMSD, Hong Kong	August 2019	1,840
Repartitioning and fitting-out term contract for City University of Hong Kong	August 2019	16,500
Renovation of DTD Office of EMSD Hong Kong	September 2019	2,428
Alteration and addition works of King Lam Shopping Centre at Tseung Kwan O, Hong Kong	November 2019	17,680
Refurbishment to Tseung Kwan O and Shatin public toilets, Hong Kong	December 2019	3,494
Renovation and modernization of Electric Tower Warehouse for The Hong Kong Electric Co Ltd, Hong Kong	December 2019	42,098
Renovation works for InnoStudio of EMSD Headquarters, Hong Kong	January 2020	5,842
Fitting-out works of wet laboratories of City University of Hong Kong	February 2020	17,921
Improvement works of teaching venues of The Education University of Hong Kong	March 2020	16,993
Alterations, additions and improvements of common washrooms of Hong Kong Baptist University	March 2020	33,257
Total		267,807

Building Construction segment

Contract completed for the year ended 31 March 2020

Contract	Commencement date	Completion date	Contract value HK$'000
Main contract works at nos. 600–626, Shanghai Street, Mongkok, Kowloon, Hong Kong	May 2017	May 2019	155,800
Total			155,800

Property Maintenance segment

Contracts completed for the year ended 31 March 2020

Contracts	Commencement date	Completion date	Contract value HK$'000
Term contract for the alterations, additions, maintenance and repair of buildings and lands and other properties for designated contract area Sham Shui Po, Tsuen Wan and Kwai Tsing of Kowloon, Hong Kong	April 2017	March 2020	779,868
Alterations and additions works security outdoor canopy at Marina Bay Sands, Singapore	April 2018	April 2019	2,699
Renovation of the shop houses from unit 227 to 231 South Bridge Road, Singapore	May 2018	April 2019	2,930
Supply and installation of turnstiles at casino entrance at Marina Bay Sands, Singapore	January 2019	June 2019	905
Supply and installation of safety enhancement works at Marina Bay Sands, Singapore	January 2019	May 2019	595
Subdividing works and mechanical, electrical and plumbing upgrading works at Marina Bay Sands, Singapore	September 2019	December 2019	418
Total			787,415

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts completed for the year ended 31 March 2020

Contracts	Commencement date	Completion date	Contract value HK$'000
Main contract for addition and alteration works to conversion of services apartment to office, Harbour City, Kowloon, Hong Kong	March 2018	April 2019	261,929
Design and build contract for renovation works at Academic Exchange Building of Institute for Advanced Study, Hong Kong	April 2018	August 2019	26,451
Renovation works of Endoscopy Unit at OPD Block, Our Lady of Maryknoll Hospital, Hong Kong	August 2018	July 2019	8,925
Structural repair works on damaged lamp posts for Yau Yat Chuen Tennis Court, Hong Kong	February 2019	April 2019	1,769
Fire services improvement direction for Block A of Caritas House at Caine Road, Hong Kong	August 2018	October 2019	16,321
Renovation works at Monte Bello, Plantation Road, Hong Kong	November 2018	March 2020	5,704
Major renovation work for Chan Kwan Tung Inter-University Hall for the Chinese University of Hong Kong	March 2019	March 2020	16,919
Renovation works of restaurant block and Lai Mei House at Lai Kok Estate, Cheung Sha Wan, Kowloon, Hong Kong	March 2019	September 2019	9,998
Improvement works to lecture theatres at The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong	June 2019	August 2019	22,390
Renovation for office at Hong Kong International School at Red Hill Road, Tai Tam, Hong Kong	June 2019	July 2019	12,309
Fitting-out works for modern office of Contract Advisory Unit at EMSD Headquarter, Hong Kong	June 2019	October 2019	4,700
Renovation of Lee On Shopping Centre, New Territories, Hong Kong	August 2019	November 2019	5,290
Renovation of DTD Office of EMSD Hong Kong	September 2019	March 2020	2,428
Alteration and addition works of King Lam Shopping Centre at Tseung Kwan O, Hong Kong	November 2019	March 2020	17,680
Total			412,813

Overall

Contracts secured subsequent to 31 March 2020 and up to the date of the report

Contracts	Commencement Date	Contract value HK$'000
New temporary leisure farm at Kennedy Town, Hong Kong	May 2020	33,846
Windows replacement and upgrading works for Hong Kong International School at Tai Tam, Hong Kong	June 2020	13,695
Renovation works to multi-purpose area of new annex for Baptist Lui Ming Choi Secondary School, Shatin, Hong Kong	May 2020	13,270
Renovation at Lee On Shopping Centre, Ma On Shan, Hong Kong	Jun 2020	7,780
Addition of waste water neutralization plant at Yeung Kin Man Academic Building for City University of Hong Kong	May 2020	4,467
Improvement works of Coastal Marine Laboratory and Physics Research Laboratory for The Hong Kong University of Science & Technology, Hong Kong	July 2020	7,304
Alteration and addition works to No. 69 Jervois Street, Sheung Wan, Hong Kong	July 2020	62,080
Improvement to station commercial area at ETS for MTR Corporation Ltd, Hong Kong	July 2020	16,833
Renovation works for office at EMSD Headquarters, Hong Kong	July 2020	1,624
Renovation works for toilets cum shower facilities at EMSD Headquarters, Hong Kong	July 2020	5,789
Renovation works for vehicle reception office at EMSD Headquarters, Hong Kong	August 2020	4,505
Replacement of wooden louvres screen at Spago Lounge at Marina Bay Sands, Singapore	April 2020	654
Development of a 9-storey nursing home, Singapore	September 2020	179,909
Total		351,756

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 330 staff (as at 31 March 2019: 261 staff) which included Hong Kong, Macau, Singapore and Mainland China employees. The total remuneration for staff was approximately HK$127 million for Fy2020 (Fy2019: approximately HK$112 million).

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package consist of basic salary, allowances, benefit-in-kind, fringe benefits including medical insurance and contributions to mandatory provident funds, as well as incentives like discretionary bonus. The Group also provides external training programmes which are complementary to certain job functions.

The remuneration packages of the senior management are recommended by the managing director of the respective company and approved by the Board by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the directors of the respective company.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy"). Under the Dividend Policy, the Board may declare dividends to the Shareholders from time to time but no dividends shall exceed the amount recommended by the Board subject to approval at general meeting, the Company's articles of association and the Companies Law of the Cayman Islands.

In accordance with the applicable requirements of the Company's articles of association and the Companies Law of the Cayman Islands, no dividend shall be declared or paid otherwise than out of profits. No distribution or dividend may be paid to the Shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

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

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

(b) the shareholder's interests;

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

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

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

(f) statutory and regulatory restrictions;

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

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

The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continue to review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Details of important event of the Group after the financial year are set out in note 45 of the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chau Chit ("Mr. Chau"), aged 55, was appointed as an executive Director of the Company on 22 July 2015 and the Chairman of the Board on 23 September 2015. On 1 March 2017, he was re-designated as co-chairman of the Board and was appointed as the chief executive officer of the Company. On 7 September 2018, he was re-designated as chairman of the Board. Mr. Chau is also the chairman of the nomination committee, a member of each of the remuneration committee and the risk management committee, one of the authorised representatives and the director of certain subsidiaries of the Company. Mr. Chau currently serves as the chairman of the Hong Kong Jiangyin Trade Association and the vice president of Federation of HK Jiangsu Community Organisations Limited. He holds a bachelor's degree in Chemistry from Zhejiang University and an EMBA degree (Executive Master of Business Administration) from Zhejiang University. Mr. Chau has extensive experience in operation management. He was an executive director, the managing director, and the chairman of the executive committee and a member of the investment committee of Shougang Concord Technology Holdings Limited (Now known as HNA International Investment Holdings Limited) (stock code: 0521) during June 2006 to October 2013. He has been an executive director of Starlight Culture Entertainment Group Limited ("Starlight Culture", formerly known as Jimei International Entertainment Group Limited (stock code: 1159) since July 2013 and was appointed as the chairman of the nomination committee of Starlight Culture on 31 May 2017 and appointed as the deputy chairman of Starlight Culture on 5 June 2017.

Mr. Zhu Xiaodong ("Mr. Zhu"), aged 48, was appointed as an executive Director on 2 September 2019. On 20 April 2020, he was appointed as a member of the risk management committee. Mr. Zhu obtained a bachelor degree in Russian language from Beijing Foreign Studies University in July 1995. Mr. Zhu has extensive experience in the iron and steel industry, including the import and export of steel products, the trading of raw materials for iron and steel making, and developing business relations with suppliers and customers in China and wider Asia regions. He was the trading manager of Baoshan Iron & Steel Company Ltd, a company established in the People's Republic of China engaging in the steel-making business, from July 1995 to May 2009. Mr. Zhu worked as the trading manager of H&C S Holdings Pte Ltd, a company incorporated in Singapore engaging in the iron and steel industry, from June 2009 to April 2011. He was the trading manager of SPR Resources Pte Ltd, a company incorporated in Singapore engaging in the iron and steel industry, from May 2011 to April 2012. Mr. Zhu served as the deputy general manager of H&C S Holding Pte Ltd. from May 2012 to August 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Tak Kei Raymond ("Mr. Tam"), aged 57, was appointed as an independent non-executive Director on 19 December 2011. Mr. Tam is also the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Mr. Tam obtained a Bachelor of Arts degree in Accounting with Computing from University of Kent at Canterbury, the United Kingdom in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since August 1990 and an associate of the Hong Kong Society of Accountants since January 1995.

Mr. Tam acted as the financial controller at international law firms for nine years and has over 30 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of China Tian Lun Gas Holdings Limited (stock code: 1600). Mr. Tam also acted as the company secretary of Branding China Group Limited (stock code: 863) during the period from April 2012 to April 2018, and was an independent non-executive director of Li Bao Ge Group Limited (stock code:1869) during the period from June 2016 to February 2020. The shares of the above-mentioned three companies are listed on the Main Board of the Stock Exchange.

Mr. Tam has also acted as an independent non-executive director of, MEIGU Technology Holding Group Limited since December 2016 (stock code: 8349), a company listed on the Growth Enterprise Market of Stock Exchange, CNQC International Holding Limited since September 2012 (stock code: 1240) and Kingland Group Holdings Limited since May 2020 (stock code: 1751), both companies are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Mr. Wong Kai Tung Simon ("Mr. Simon Wong"), aged 52, was appointed as an independent non-executive Director on 12 November 2013. Mr. Simon Wong is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Simon Wong is the Founder and Partner of Tawau Capital Partners Limited, a company principally engaged in private equity/venture capital investments, management consultancy. Mr. Simon Wong is an experienced banker and has over 20 years' experience in the corporate and investment banking sector in Asia with Deutsche Bank AG, Hong Kong Branch, DBS Bank Limited, Hong Kong Branch, and Daiwa Securities SMBC Hong Kong Limited, where Mr. Simon Wong was responsible for investment banking services in the Greater China Region. Mr. Simon Wong was an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited) (stock code: 108) from February 2014 to February 2015, and was the General Manager of Mergers and Acquisitions Department and the Head of Investor Relations of Brightoil Petroleum (Holdings) Limited (stock Code: 0933) from September 2011 to September 2012, the shares of both companies are listed on the Stock Exchange. Mr. Simon Wong gained corporate finance, mergers and acquisitions and investor relations experience from a listed company perspective. Mr. Simon Wong received an Executive MBA degree from Tsinghua University (Beijing, China) in 2013, Mr. Simon Wong has also participated in the Young Managers Programme held at INSEAD (Fontainebleau, France) in 1998. Mr. Simon Wong received a Bachelor of Arts degree and a Graduate Diploma in Management Consulting and Change from The University of Hong Kong in 1990 and 2008, respectively. Mr. Simon Wong is a Certified Management Consultant (CMC), awarded by the Institute of Management Consultants Hong Kong (IMCHK).

Mr. Wong Wai Kwan ("Mr. WK Wong"), aged 52, was appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and the nomination committee of the Company on 22 July 2015. On 20 April 2020, he was appointed as a member of the risk management committee. Mr. WK Wong holds a bachelor's degree in Accountancy from City University of Hong Kong and a master's degree in Business Administration from Washington University in St. Louis, U.S.A. He is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of Certified Practising Accountants (Australia). Mr. WK Wong has extensive working experience in auditing and consulting areas, particularly in IPO exercise, risk management and mergers and acquisitions. During the period from August 1992 to March 2000 Mr. WK Wong was first employed by Ernst & Young's Hong Kong office as Senior Accountant in its Assurance Department and then served in Ernst & Young's Shanghai office as Manager in its Assurance Department. Mr. WK Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 0656) from December 2011 to June 2016. Mr. WK Wong was a consultant of VideoMobile Co., Ltd (a former holding company of Vobile Group Limited (Stock Code: 3738), which is listed on the Stock Exchange) from July 2016 to June 2017. Currently Mr. WK Wong is the chief financial officer of ThinkTank Learning Holding Company.

Mr. WK Wong was an independent non-executive director, and a member of the audit committee, nomination committee and remuneration committee of Shougang Concord Technology Holdings Limited (Now known as HNA International Investment Holdings Limited) (Stock code: 0521) during the period from June 2010 to October 2013 and Mr. WK Wong was also an independent non-executive director and member of the audit committee, nomination committee, remuneration committee, and the investment steering committee of Starlight Culture from September 2013 to November 2014. On 31 May 2017, he was again appointed as independent non-executive director of Starlight Culture and was appointed as the chairman of the audit committee, a member of the nomination committee, the remuneration committee, the investment steering committee and the anti-money laundering committee of that company on the same date. On 21 June 2017, Mr. WK Wong was appointed as a non-executive director and a member of the audit committee of Vobile Group Limited (Stock Code: 3738).

SENIOR MANAGEMENT

Mr. Wong Law Fai ("Mr. LF Wong"), aged 61, is the managing director of Wan Chung Construction Company Limited. Mr. LF Wong was appointed as a director of the Company on 31 May 2011 and redesignated as an executive Director of the Company on 19 December 2011. Later Mr. LF Wong resigned as an executive Director, the chairman of the Board and authorised representative of the Company on 28 May 2013, and the chief executive officer of the Company on 10 September 2013. Mr. LF Wong has over 30 years of experience in the building construction industry of Hong Kong. Mr. LF Wong is a registered professional engineer (building) in Hong Kong, a registered professional surveyor (quantity surveying) in Hong Kong, a member of The Hong Kong Institution of Engineers, a member of The Hong Kong Institute of Surveyors, a member of The Chartered Institute of Building (the United Kingdom) and a member of The Royal Institution of Chartered Surveyors (the United Kingdom).

Mr. So Kwok Lam ("Mr. So"), aged 60, is the project director of Wan Chung Construction Company Limited and is a director of Wan Chung Construction Company Limited and Wan Chung Engineering Co., Limited. He was appointed as an executive Director on 19 December 2011 and resigned on 28 May 2013. Mr. So is responsible for formulating strategic planning, business development of the Group, reviewing and improving the internal management systems, management of construction projects in Hong Kong. Mr. So has over 30 years of experience in the building construction industry of Hong Kong. Mr. So was a member of the Contractors Registration Committee Panel and was also a member of the Contractors Registration Committee of the Buildings Department under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong), (the "Building Ordinance") from January 2009 to December 2012. Mr. So is a member of the Registered Contractors' Disciplinary Board Panel of the Planning and Lands Branch, Development Bureau under the Building Ordinance from June 2014 to May 2020. Prior to joining the Group in 1993, Mr. So had been the project manager of Chevalier (Construction) Co Ltd from 1990 to 1993. He had also been working in Hsin Chong Construction Co Ltd from 1985 and left as an assistant contracts manager in 1990. Mr. So is fellow members of The Hong Kong Institute of Construction Managers and the Chartered Institute of Building (the United Kingdom). Mr. So obtained a professional diploma in occupational safety and health from the School of Continuing Education of Hong Kong Baptist University in 2008, a postgraduate diploma in arbitration and dispute resolution from City University of Hong Kong in 2004, a master of arts in English for the professions from The Hong Kong Polytechnic University in 2007, and an associateship in building technology and management from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1984.

Mr. Wong Chi Kin, Jesse ("Mr. Jesse Wong"), aged 58, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group's strategic planning, corporate business development and management of construction projects in Hong Kong. Mr. Jesse Wong has been the representative of our Group in the Hong Kong Construction Association since 1999. Mr. Jesse Wong has been elected as the 68th and 69th council member of the Hong Kong Construction Association for 2015/2017 and 2017/2019 respectively. Mr. Jesse Wong has over 30 years of experience in the building construction industry of Hong Kong. Prior to joining the Group in 1996, Mr. Jesse Wong had held various positions in quantity surveying, including senior quantity surveyor of H.A. Brechin & Co between 1990 and 1994, quantity surveyor of Franklin & Andrews Construction Cost Management Consultants between 1989 and 1990 and trainee of Kumagai Gumi (H.K.) Limited between 1982 and 1985. Mr. Jesse Wong is a registered professional surveyor (Quantity Surveying) in Hong Kong and a fellow member of The Hong Kong Institute of Surveyors. Mr. Jesse Wong obtained a bachelor degree of science in quantity surveying from Southbank Polytechnic of London in 1989. Mr. Jesse Wong also received a master degree of business administration (executive) from the City University of Hong Kong in 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Ms. Ma Pik Fung ("Ms. Ma"), aged 57, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group's strategic planning, corporate business development, and management of construction projects in Hong Kong. Ms. Ma is also a director of Wan Chung Engineering (Macau) Company Limited and a director of Wan Chung Construction (Singapore) Pte. Ltd.. Ms. Ma is a registered professional surveyor (Quantity Surveying) in Hong Kong, a member of Hong Kong Institute of Surveyors and a professional associate of the Royal Institution of Chartered Surveyors (the United Kingdom).

Mr. Datuk Eng Son Yam ("Mr. Datuk Eng"), aged 68, is the managing director of Wan Chung Construction (Singapore) Pte. Ltd. ("Wan Chung Singapore"), responsible for the strategic planning and development of the Wan Chung Singapore. Mr. Datuk Eng has more than 30 years of experience in the building industry of Singapore and Malaysia. Mr. Datuk Eng had undertaken construction projects in housing, hospital, integrated resort and religious establishment. Mr. Datuk Eng has also endeavored in property development ventures in Singapore and Malaysia. Over the years, Mr. Datuk Eng has built up a strong network with key players in this industry. Mr. Datuk Eng was also active in social work particularly education for the young in Malacca (Datuk Eng's birth place). In recognition of his contribution towards the local school, Mr. Datuk Eng was conferred "DSM Datuk" by the Governor of Malacca, Malaysia. Mr. Datuk Eng obtained a diploma in business administration from the Singapore Chinese Chamber Institute of Business in 2008. Mr. Datuk Eng completed an Executive Program on Oriental-Western Wisdom and Business Management at the School of Continuing Education, Tsinghua University in October 2013.

Mr. Tan Chwee Kee ("Mr. Tan"), aged 65, is the deputy managing director of Wan Chung Construction (Singapore) Pte. Ltd.. Mr. Tan has more than 30 years of experience in project management, property development, building design and construction. Prior to joining Wan Chung Singapore in August 2011, Mr. Tan was the project director of HLH Development Pte Ltd, a property development arm of SGX-ST listed group, HLH Group Limited. From 2005–2007, Mr. Tan was with Chip Eng Seng Corporation Ltd, a construction and property development group listed on the SGX-ST, as the assistant general manager of The Pinnacle@Duxton project, the first 50-storey high dense public housing project launched by the government. It was the winning design of an international design competition and features the sky gardens at mix storeys and top storey linking all the blocks together. Mr. Tan led the technical team and was instrumental in addressing the design issues of the technically challenging sky-gardens construction. Between 1995–2004, Mr. Tan was the CEO of Hong Lai Huat Construction Pte Ltd. Mr. Tan started his career as a structural engineer in The Housing and Development Board in 1982. Mr. Tan has a Bachelor Degree in Civil Engineering from The National University of Singapore and is a registered Professional Engineer with the Singapore Professional Engineer with the Singapore Professional Engineer Board.

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 2001 & 10, 20/F, No. 118 Connaught Road West, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise (i) provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services, and (ii) graphene production and materials trading. The principal activities and other particulars of the subsidiaries of the Company are set out in note 21 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 4 to 5 and pages 6 to 16 of this annual report, respectively. This discussion forms part of this directors' report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the five year financial summary on page 132 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2020 and the Group's financial position as at 31 March 2020 are set out in the financial statements on pages 53 to 55.

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

CONVERTIBLE BOND, INTEREST-BEARING BANK AND OTHER BORROWINGS

Particulars of a convertible bond of the Group as at 31 March 2020 are set out in notes 33 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

There were no movement in the Company's share capital and share option during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 March 2020, as the accumulated losses of the Company exceeds the share premium account, there is no reserves available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 80% of the total sales. The top five suppliers accounted for approximately 62% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 32% of the total sales and the Group's largest supplier accounted for approximately 40% of the total purchases for the year.

At no time during the year ended 31 March 2020 have the then and current Directors of the Company, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CHARITABLE DONATIONS

During the year ended 31 March 2020, the Group made charitable donations amounting to HK$92,000 (Year ended 31 March 2019: HK$79,000).

DIRECTORS

The directors of the Company during the year ended 31 March 2020 and up to the date of this Directors' report are:

Executive Directors:

Chau Chit *(Chairman)*
Zhu Xiaodong *(appointed on 2 September 2019)*
Xie Xiaotao *(resigned on 27 August 2020)*

Independent Non-executive Directors:

Mr. Tam Tak Kei, Raymond
Mr. Wong Kai Tung, Simon
Mr. Wong Wai Kwan

By virtue of articles 108(a), 108(b) and 112 of the articles of association of the Company, Mr. Zhu, Mr. Chau and Mr. Wong Wai Kwan will retire. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company are currently in force and was in force during the year and at the date of this report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended 31 March 2020 are set out in notes 16 and 15 to the financial statements. The remuneration policy for Directors and senior management is set out in the Corporate Governance Report on page 38 of this annual report.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted by the written resolutions of the sole Shareholder passed on 19 December 2011 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion grant any employee (full-time or part-time), director (including executive, non-executive or independent non-executive directors), consultant or adviser of any member of the Group, or any substantial shareholder of any member of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group and any company wholly owned by one or more persons belonging to any of the aforesaid participants, options to subscribe for Shares at a price calculated in accordance with the paragraph below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date.

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 600,000,000 Shares, representing 10% of the issued share capital of the Company.

(d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(f) Period of acceptance of option

An offer made to a participant shall remain open for acceptance by the participant concerned for a period of 7 days from and inclusive of the date on which an option is offered to a participant.

(g) Payment of acceptance of option

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) The basis of determining the exercise price of option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Share on the date of grant of the option.

(i) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 March 2020.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2020 are set out in note 4(t) to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests or short positions of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name of Directors	**Capacity**	**Number of shares held** (note 1)	**Percentage of the issued share capital of the Company** (note 1)
Mr. Chau Chit (note 2)	Interest of Controlled Corporation	600,000,000 (L)	10.00%
Mr. Xie Xiaotao *(resigned on 27 August 2020)*	Beneficial owner	50,000,000 (L)	0.83%
Mr. Wong Wai Kwan	Beneficial owner	5,000,000 (L)	0.08%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2020 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2020.

2. Mr. Chau Chit, the executive Director, is the ultimate beneficial owner of Mega Start Limited ("Mega Start"). By virtue of the SFO, Mr. Chau Chit is deemed to be interested in the 600,000,000 Shares held by Mega Start.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 March 2020 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 March 2020, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name of Shareholders	Capacity	Number of Shares held (note 1)	Percentage of the issued share capital of the Company (note 1)
Mega Start Limited	Beneficial owner	600,000,000 (L)	10.00%
Fount Holdings Limited	Beneficial owner	475,000,000 (L)	7.92%
Mr. Tang Hao (note 2)	Interest of controlled corporation	475,000,000 (L)	7.92%
Earnstar Holding Limited	Beneficial owner	350,000,000 (L)	5.83%
Dungbao Limited (note 3)	Interest of controlled corporation	350,000,000 (L)	5.83%
Mr. Ma Zenglin (note 4)	Interest of controlled corporation	350,000,000 (L)	5.83%
Zhongtai Financial Investment Limited (note 5)	Person having a security interest in shares interest in shares	300,000,000 (L)	5.00%
Zhongtai Financial International Limited (note 5)	Interest of corporation controlled by you	300,000,000 (L)	5.00%
Zhongtai Securities Company Limited (note 5)	Interest of corporation controlled by you	300,000,000 (L)	5.00%
Mr. SUN William (note 6)	Interest of corporation controlled by you and Beneficial owner	715,274,000 (L)	11.92%
Horizon Holding Inc. (note 6)	Interest of corporation controlled by you	710,000,000 (L)	11.83%
SWH Investments Inc. (note 6)	Interest of corporation controlled by you	710,000,000 (L)	11.83%
Million Creation Holdings Limited (note 6)	Beneficial owner	710,000,000 (L)	11.83%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2020 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2020.

2. Mr. Tang Hao owns the entire issued share capital of Fount Holdings Limited. By virtue of the SFO, Mr. Tang Hao is deemed to be interested in the 475,000,000 Shares held by Fount Holdings Limited.

3. Dungbao Limited owns the entire issued share capital of Earnstar Holding Limited. By virtue of the SFO, Dungbao Limited is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.

4. Mr. Ma Zenglin owns the entire issued share capital of Dungbao Limited. By virtue of the SFO, Mr. Ma Zenglin is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.

5. Based on the information available to the Company, Zhongtai Financial Investment Limited has a security interest in 300,000,000 shares and is directly wholly owned by Zhongtai Financial International Limited, which is wholly owned by Zhongtai Securities Company Limited. Zhongtai Financial International Limited and Zhongtai Securities Company Limited are therefore deemed to be interested in all the shares in which Zhongtai Financial Investment Limited is interested under the SFO.

6. Based on the information available to the Company, Million Creation Holdings Limited is interested in 710,000,000 Shares and is directly wholly owned by SWH Investment Inc., which is directly wholly owned by Horizon Holding Inc., which is wholly owned by Mr. SUN William. By virtue of the SFO, each of Mr. SUN William, Horizon Holding Inc. and SWH Investments Inc. are therefore deemed to be interested in the 710,000,000 Shares held by Million Creation Holdings Limited.

   Mr. SUN William is also a beneficial owner of 5,274,000 Shares.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 16 December 2015, the Company entered into a subscription agreement and a convertible bond agreement with Mega Start, a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the chairman and chief executive officer of the Company and an executive Director of the Company). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

On 23 August 2018, Wuxi Taike Nano New Material Co. Ltd* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, pledged the bank deposit in the sum of RMB100 million (the "Secured Deposits") under deposit pledge contracts (the "Deposit Pledge Contracts") to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Co., Ltd* (江陰市友佳珠光雲母有限公司) ("Jiangyin Youjia"), a company established in the PRC, for the opening bank acceptance bill contracts (《開立銀行承兑匯票合同》) (the "Opening Bank Acceptance Bill Contracts") entered into between Jiangyin Youjia and a PRC bank (the "Pledgee Bank") to obtain credit facilities of up to an aggregate amount of RMB100 million (the "Credit Facilities") for a period from 17 August 2018 to 17 August 2019. As of the date of the Opening Bank Acceptance Bill Contracts, the legal representative of Jiangyin Youjia was the late Mr. Dai Jialong, a former executive Director of the Company and a then substantial shareholder of the Company holding approximately 12.17% of the issued share capital of the Company.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company, (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of Wuxi Taike by the Group to a third party.

Save as disclosed above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2020.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2020.

CONTRACT OF SIGNIFICANCE

Save as disclosed in notes 27, 43 and 44 to the financial statements, no contract of significance in relation to the Group's in which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2020, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the independent non-executive Directors during the reporting period namely, Mr. Tam, Mr. Simon Wong and Mr. Wong Wai Kwan, pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended 31 March 2020.

CONNECTED TRANSACTIONS

Save as disclosed in notes 27, 43 and 44 to the financial statements, there was no connected transaction during the year.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 33 to 43. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT (Continued)

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year ended 31 March 2020 and as at the date of this annual report as required under the Listing Rules.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Following are the changes in the information of Directors since the date of the 2019 Interim Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

As determined by the board of directors of the Company on 7 October 2020, each of Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon, and Mr. Wong Wai Kwan is entitled to receive a one-off discretionary bonus in the amount of HK$250,000 by the end of 2020.

Each of Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon, and Mr. Wong Wai Kwan has entered into a letter of appointment with the Company as an independent non-executive Director for a renewed term of 3 years commencing from 7 October 2020, which may be terminated by either the Company or by giving six months written notice or payment in lieu in accordance with the terms of the letter of appointment. Pursuant to the letter of appointment, each of Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon, and Mr. Wong Wai Kwan is entitled to an annual remuneration of HK$228,000 and discretionary bonus of such amount as determined at the discretion of the Board.

Mr. Tam Tak Kei Raymond has acted as an independent non-executive director of Kingland Group Holdings Limited (Stock Code: 1751), a company listed on the Main Board of the Stock Exchange since May 2020.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 45 to the financial statements.

AUDITORS

Ernst & Young has resigned as the auditor of the Company with effect from 20 July 2020, as the Company could not reach a consensus with Ernst & Young on the audit fee for the year ended 31 March 2020. Ernst & Young has provided a confirmation to the Company that there are no circumstances connected with its resignation which it considered should be brought to the attention of the shareholders of the Company. The Board and the audit committee of the Company have confirmed that there was no disagreement between Ernst & Young and the Company, and there is no other matter in relation to the resignation of Ernst & Young that need to be brought to the attention of the shareholders of the Company.

The Board has resolved, with the recommendation from the audit committee of the Company, the appointment of RSM Hong Kong ("RSM") with effect from 20 July 2020 as the new auditor of the Company, to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the forthcoming annual general meeting ("AGM") of the Company.

RSM will retire at the conclusion of the forthcoming AGM and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of RSM as auditor of the Company will be proposed at the forthcoming AGM.

Independent Auditor's Report on the Company's Consolidated Financial Statements for the year ended 31 March 2020

As disclosed in sections headed "Qualified Opinion" and "Basis for Qualified Opinion" in independent auditor's report contained on pages 44 to 52 of this report, the auditor of the Company express that, except for the effects of the matters described in the Basic for Qualified Opinion section of our report ("Audit Qualifications"), 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

The basis of the Audit Qualifications relate to (i) opening balances and comparative figures and (ii) Disposal of Wuxi Taike Group, as the auditor encountered certain scope limitations in respect of Wuxi Taike, which contributed during the period from 1 April 2019 to 28 February 2020 (completion of disposal of Wuxi Taike Group) a loss for the year of approximately HK$34,894,000 and a loss on disposal of Wuxi Taike Group of HK$8,462,000 to the Group's total loss of HK$18,965,000 for the year ended 31 March 2020.

THE BOARD'S RESPONSE TO THE AUDITOR'S OPINION

In regard to the matters described in the section headed "Qualified Opinion" in the Independent Auditor's Report, the Board would like to provide its response and other relevant information for your information.

The directors of the Company ("Directors") have discussed with the auditor of the Company ("Auditor") in relation to the Audit Qualifications. The following is the Board's assessment and response to the Audit Qualifications as set out on page 36 of the Audited Annual Results Announcement for the Year Ended 31 March 2020 ("Audited Results"):

"In regard to the matters described in the section headed "Qualified Opinion" in the Independent Auditor's Report, the Board would like to advise that the deposit pledge under the Deposit Pledge Contracts was released on 23 August 2019 and Wuxi Taike was disposed of to an independent third party on 28 February 2020. Mr. Dai and the then management of Wuxi Taike have left the Group in 2018. As such, the major audit issues surrounding Wuxi Taike, including the incident relating to the Deposit Pledge Contracts and various transactions with the potential related parties, do not have impact on the Group since the disposal of Wuxi Taike and accordingly, the impact of Wuxi Taike's business and operations is no longer of concern to the Company. Based on the above, the Board is of the view that the audit issues underlying the qualified opinion have been addressed and resolved."

The Auditor has concurred with the Board's assessment that based on the information available, the Audit Qualifications would not have carryover impact on the Group upon completion of the disposal of Wuxi Taike.

DIRECTORS' REPORT (Continued)

The Audit Committee has reviewed the Audit Qualifications and considers that the Audit Qualifications are necessary to enable the Auditor to give its audit opinion on 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 ended 31 March 2020.

The Audit Committee has also reviewed and agreed with the Board's assessment and response to the Audit Qualifications as set out on page 36 of the Audited Results.

Since Wuxi Taike was part of the Group during the year ended 31 March 2020 before its disposal on 28 February 2020, as discussed with the Auditor, the Board is of the view that the Audit Qualifications would not have carryover impact on the Group upon completion of the disposal of Wuxi Taike, and therefore there are no audit issues underlying the Audit Qualifications that require the Company to address and rectify for the next year's financial statements. In 2021 financial statements, the Board understands that the Auditor will only maintain the Audit Qualifications for the comparative figures (i.e. the financial year ended 31 March 2020).

Based on the above, the Board is of the view that the audit issues underlying the qualified opinion have been addressed and resolved.

On behalf of the Board

Chau Chit
Chairman and Chief Executive Officer

Hong Kong, 9 October 2020

CORPORATE GOVERNANCE REPORT

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. During the year ended 31 March 2020, the Board had adopted the principles and the code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference and made such terms of reference available on the websites of the Stock Exchange and the Company.

Save as disclosed below, during the year ended 31 March 2020, the Company had complied with the CG Code as set out in Appendix 14 to the Listing Rules.

Roles of the chairman and the chief executive

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

The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, during the year ended 31 March 2020.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

Financial reporting, Risk management and internal control

On 23 August 2018, Wuxi Taike Nano New Material Co. Ltd* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, pledged the bank deposit in the sum of RMB100 million (the "Secured Deposits") under deposit pledge contracts (the "Deposit Pledge Contracts") to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Co., Ltd* (江陰市友佳珠光雲母有限公司) ("Jiangyin Youjia"), a company established in the PRC, for the opening bank acceptance bill contracts (《開立銀行承兑匯票合同》) (the "Opening Bank Acceptance Bill Contracts") entered into between Jiangyin Youjia and a PRC bank (the "Pledgee Bank") to obtain credit facilities of up to an aggregate amount of RMB100 million (the "Credit Facilities") for a period from 17 August 2018 to 17 August 2019. As of the date of the Opening Bank Acceptance Bill Contracts, the legal representative of Jiangyin Youjia was the late Mr. Dai Jialong, a former executive Director of the Company and a then substantial shareholder of the Company holding approximately 12.17% of the issued share capital of the Company.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company, (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Wuxi Taike by the Group to a third party (together, the "Prior Announcements").

For the above matters as disclosed in the Prior Announcements, the Board considered the followings:

— the management of the Group had not provided sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval in violation to code provision C.1.1 of the CG Code; and

— according to the principle and code provisions of C2 of CG Code The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems; and the Board acknowledged weaknesses in the above.

REMEDIAL ACTIONS

The Company has engaged internal control consultant to conduct internal control reviews, has set up Risk Management Committee to assist the Board to oversee the risk management system carried out by the management on an ongoing basis, and has appointed a compliance officer to advise on and assist the Board in overseeing the compliance of laws and regulations by the Group. For more details, please refer to the Company's announcement dated 21 August 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they had complied with the Model Code during the year ended 31 March 2020.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this annual report, the Board consisted five Directors comprising two executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chau Chit *(Chairman and Chief Executive Officer)*
Mr. Zhu Xiaodong
Mr. Xie Xiaotao *(resigned on 27 August 2020)*

Independent non-executive Directors

Mr. Tam Tak Kei Raymond
Mr. Wong Kai Tung Simon
Mr. Wong Wai Kwan

The biographical details of all current Directors and senior management of the Company are set out on pages 17 to 20 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

Functions of the Board

The principal functions of the Board are to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business, the Board delegates the authority and responsibility for implementing the Group's policies and strategies.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Directors' Re-election

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 112 of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring director shall be eligible for re-election.

Independent non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) and 3.10A of the Listing Rules. Furthermore, among the three independent non-executive Directors, both Mr. Tam and Mr. WK Wong have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance to Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmation, considers, Mr. Tam, Mr. Simon Wong and Mr. Wong Wai Kwan to be independent.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. During the year ended 31 March 2020, the chairman had met the non-executive Director and the independent non-executive Directors respectively and individually without the presence of other executive Directors.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

All Directors during the reporting period have participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 19 December 2011 with written terms of reference which were revised on 23 September 2015 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information and risk management of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tam (the chairman of the Audit Committee), Mr. Simon Wong and Mr. Wong Wai Kwan.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the interim financial information for the six months ended 30 September 2019 and the consolidated financial statements and annual results for the year ended 31 March 2020.

During the year ended 31 March 2020, the Audit Committee held three meetings.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine the remuneration packages of individual executive 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.

As at the date of this report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. Simon Wong (the chairman of the Remuneration Committee) and Mr. Wong Wai Kwan, and an executive Director, namely Mr. Chau.

During the year ended 31 March 2020, the Remuneration Committee held one meeting to, inter alia, review the remuneration packages of all Directors and senior management of the Company.

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The share option scheme of the Company (the "Share Option Scheme") was adopted by the sole Shareholder by way of written resolution on 19 December 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons will have additional incentives to improve the Company's performance.

Details of the fees and other emoluments paid or payable to the Directors and the remuneration of the members of senior management by band for the year ended 31 March 2020 are set out in notes 15 and 16 to the consolidated financial statements contained in this Annual Report.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 and 26 August 2013 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession.

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or, as an additional member of the Board. The Company has formulated the nomination policy, and factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for director include, inter alia, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

The Nomination Committee formulated the board diversity policy of the Company (the "Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

As at the date of this report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. Simon Wong and Mr. Wong Wai Kwan, and an executive Director, namely Mr. Chau (the chairman of the Nomination Committee).

During the year ended 31 March 2020, the Nomination Committee held one meeting to, inter alia, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board on the appointment of Directors and assess the Board Diversity Policy.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Group and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management; and
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2020 is set out in the table below:

Name of Director	Number of meetings attended/entitled to attend Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting	Type of training
Executive directors							
Mr. Chau Chit	13/13	n/a	1/1	1/1	n/a	n/a	B
Mr. Xie Xiaotao *(resigned on 27 August 2020)*	12/13	n/a	1/1	1/1	n/a	n/a	B
Mr. Zhu Xiaodong *(appointed on 2 September 2019)*	2/2	n/a	0/0	0/0	n/a	n/a	B
Independent Non-executive Directors							
Mr. Tam Tak Kei Raymond	13/13	3/3	1/1	1/1	n/a	n/a	A and B
Mr. Wong Kai Tung Simon	12/13	3/3	1/1	1/1	n/a	n/a	A and B
Mr. Wong Wai Kwan	13/13	3/3	1/1	1/1	n/a	n/a	A and B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Apart from regular Board meetings, the Chairmen also held meetings with the independent non-executive Directors without the presence of executive Directors during the year ended 31 March 2020.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 March 2020, the remuneration paid or payable to the auditor of the Company, RSM Hong Kong, in respect of their audit and non-audit services was as follows:

	HK$
Audit service fee	1,580,000
Non-audit service fee	—
Total	1,580,000

Risk Management and Internal Control Responsibility

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained. Management is responsible for designing, implementing and monitoring the risk management and internal control systems to manage risks. Sound and effective risk management and internal control systems are designed to identify and manage the risk of failure to achieve business objectives. The Group's risk management process include risk assessment, which constitutes the sub-processes of risk identification, analysis, evaluation, mitigation, reporting and monitoring. The Group also adopt a risk whistle-blowing policy to uphold honesty, integrity and fair play as our core values of the Group at all times.

Review of Risk Management and Internal Control System

Reference is made to the "Financial reporting, Risk management and internal control" of this report regarding the deposit pledge of Wuxi Taike.

In May 2019, the Company has engaged an internal control consultant ("Internal Control Consultant") to conduct an internal control review on, among other things, the Company's controls in place for risk management process, resources, qualification, and experience of staff of accounting, internal audit and financial reporting functions, the entity level control environment, and Wuxi Take's sales process, procurement process, cash management process, bank borrowing management process and property, plant and equipment management process.

Following this review, the Company has implemented a number of internal control measures to enhance the Company's internal control systems. The Internal Control Consultant has also completed the follow-up review on the remedial actions taken by the Company.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the company secretary of the Company (the "Company Secretary"):

1. By mail to the Company's principal place of business at Room 2001 & 10, 20/F, No. 118 Connaught Road West, Hong Kong;

2. By telephone number 2180 6139;

3. By fax number 2180 6125; or

4. By email at info@visionfame.com

The Company uses a number of formal communications channels to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channels between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely mannered and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairmen of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 64 of the articles of association of the Company, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may request an extraordinary general meeting. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business of the Company at Room 2001 & 10, 20/F, No. 118 Connaught Road West, Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company at Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong:

- a notice in writing by the Shareholder indicating the intention to propose a person for election as a Director; and
- a notice in writing by the person proposed by the Shareholder for election as a Director indicating his/her willingness to be elected.

The minimum length of the period, during which such notices may be given, will be at least 7 days.

The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The Board has established a shareholders' communication policy on 28 March 2012 and reviews it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains a website (www.visionfame.com) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY'S TRAINING

During the year ended 31 March 2020, Mr. Cheung Yiu Kuen has received no less than 15 hours of relevant professional training to refresh his skills and knowledge.

INDEPENDENT AUDITOR'S REPORT

RSM Hong Kong

29th Floor, Lee Garden Two, 28 Yun Ping Road,
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

TO THE SHAREHOLDERS OF VISION FAME INTERNATIONAL HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Vision Fame International Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 131, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basic for Qualified Opinion section of our report, 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Opening balances and comparative figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2019 (the "2019 Financial Statements"), which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed by the predecessor auditor because of the significance of the possible effect of the scope limitations in the audit of various account balances and transactions of Wuxi Taike Nano New Material Company Limited ("Wuxi Taike").

INDEPENDENT AUDITOR'S REPORT (Continued)

The predecessor auditor's basis for disclaimer of opinion is summarised below.

"Wuxi Taike was a major wholly-owned subsidiary of the Company as at 31 March 2019 which contributed net assets of RMB124,035,000 (equivalent to HK$145,070,000) and a loss for the year of RMB118,354,000 (equivalent to HK$138,746,000) to the Group's total net assets of HK$151,283,000 as at 31 March 2019 and total loss of HK$145,451,000 for the year ended 31 March 2019, respectively. During the course of the predecessor auditor's audit of Wuxi Taike for the year ended 31 March 2019, the predecessor auditor encountered certain scope limitations in the audit of various account balances and transactions of Wuxi Taike as set out below.

1. Potential related party transactions of Wuxi Taike

The predecessor auditor noted the following transactions between Wuxi Taike and certain companies which appeared unusual in the circumstances and may indicate the existence of a relationship with Wuxi Taike. However, the transactions between Wuxi Taike and these companies were not considered by the Group as related party transactions.

1.1 Transfer of funds to Jiangyin Youjia Pearlescent Mica Co., Ltd ("Jiangyin Youjia")

During the year ended 31 March 2019 and subsequent to 31 March 2019, Wuxi Taike conducted various transactions with Jiangyin Youjia, whose legal representative was Mr. Dai Jialong, a former director and substantial shareholder of the Company. The directors of the Company regarded Jiangyin Youjia as a related party up to 31 December 2018 and only the related transactions with Jiangyin Youjia for that period have been disclosed as related party transactions.

1.1.1 Transfer to Jiangyin Youjia of a purchase deposit returned from Jiangyin Xinchaoshun Mica Productions Co., Ltd ("Xinchaoshun")

Wuxi Taike had a purchase deposit of RMB7,020,000 (equivalent to HK$8,210,000) due from Xinchaoshun in relation to the purchase of inventories. Subsequent to 31 March 2019, Xinchaoshun returned the purchase deposit of RMB7,020,000 to Wuxi Taike. However, the same amount was then transferred to Jiangyin Youjia as settlement of an amount due to Jiangyin Youjia.

According to the State Administration for Market Regulation (the "SAMR") website, Xinchaoshun had the same contact phone number as Wuxi Taike and an identical email address as Jiangyin Ruijia Mica Technologies Co., Ltd ("Jiangyin Ruijia"), the holding company of Jiangyin Youjia. Management was not able to provide the predecessor auditor with a satisfactory explanation of the reason for the above return of deposits from Xinchaoshun and the transfer of such purchase deposits returned to Jiangyin Youjia. The predecessor auditor was unable to determine whether the amount of RMB7,020,000 stated as a purchase deposit for inventories as at 31 March 2019 had been properly classified and disclosed in the consolidated financial statements for the year ended 31 March 2019.

1.1.2 Transfer to Jiangyin Youjia of proceeds receivable from disposal of a motor vehicle

During the year ended 31 March 2019, Wuxi Taike disposed of a motor vehicle with a net book value of RMB5,576,000 (equivalent to HK$6,522,000) for RMB6,300,000 (equivalent to HK$7,368,000), including value-added tax ("VAT") of RMB869,000 (equivalent to HK$1,016,000). Management of Wuxi Taike represented that the sale was made to a third party, through a company ("Co A") and a sales person of Wuxi Taike. Wuxi Taike recorded other receivables from Co A and the sales person for the amounts of RMB1,800,000 (equivalent to HK$2,105,000) and RMB4,500,000 (equivalent to HK$5,263,000), respectively as at 31 March 2019. Management further represented that neither Co A nor the sales person was the ultimate buyer and the disposal arrangement was instructed by the former management of Wuxi Taike.

INDEPENDENT AUDITOR'S REPORT (Continued)

Wuxi Taike did not receive any proceeds from this disposal. Subsequent to 31 March 2019, the total outstanding receivables of RMB6,300,000 were transferred to Jiangyin Youjia as settlement of an amount due to Jiangyin Youjia.

The predecessor auditor was unable to obtain sufficient and adequate documentary evidence for the disposal of the motor vehicle. As a result, the predecessor auditor was unable to confirm whether the disposal had been properly conducted and accounted for and whether the sale of the motor vehicle by Wuxi Taike with a net book value of RMB5,576,000, the consideration for the sale of RMB5,431,000 (equivalent to HK$6,352,000), net of VAT, and the loss on disposal of RMB145,000 (equivalent to HK$169,000) had been properly measured and presented in the Group's consolidated financial statements for the year ended 31 March 2019. The predecessor auditor was unable to obtain a satisfactory explanation of the reason for the transfer of the other receivables to Jiangyin Youjia subsequent to 31 March 2019. The predecessor auditor was also unable to determine whether the amount of RMB6,300,000 stated as other receivables from the respective parties as at 31 March 2019 had been properly classified and disclosed, or whether the receivables and the disposal transaction should be disclosed as an amount due from Jiangyin Youjia and a related party transaction, respectively, in the consolidated financial statements for the year ended 31 March 2019.

1.2 Acquisition of equipment from Wuxi Taiaoyi Trading Co., Ltd ("Wuxi Taiaoyi")

Wuxi Taike procured equipment from Wuxi Taiaoyi totalling RMB29,490,000 (equivalent to HK$34,492,000), and made payments of RMB15,590,000 (equivalent to HK$18,234,000) and RMB11,100,000 (equivalent to HK$13,871,000) to Wuxi Taiaoyi during the years ended 31 March 2019 and 2018, respectively. According to the SAMR website, Wuxi Taiaoyi had the same phone number as Jiangyin Youjia and the same email address as Jiangyin Ruijia, the holding company of Jiangyin Youjia.

Moreover, as detailed in the Company's announcement dated 13 March 2020, based on the representations made by the then finance manager of Wuxi Taike (the "Finance Manager"), Wuxi Taiaoyi was previously managed by Mr. Dai Jialong and was then managed by Mr. Dai Jialong's daughter, and the payment amount and payment method made by Wuxi Taike to Wuxi Taiaoyi were decided by Mr. Dai Jialong and executed by the Finance Manager.

As the predecessor auditor was unable to obtain satisfactory explanation of the reason for the above relationship between Wuxi Taiaoyi and Wuxi Taike or its related party, the predecessor auditor was unable to determine whether the above acquisition of equipment from Wuxi Taiaoyi should be disclosed as a related party transaction in the consolidated financial statements for the year ended 31 March 2019.

1.3 *Purchases of raw materials from and deposits paid to Xinchaoshun*

Xinchaoshun was one of the major vendors of Wuxi Taike. Wuxi Taike made purchases of RMB11,638,000 (equivalent to HK$13,643,000) (2018: RMB116,475,000 (equivalent to HK$136,431,000) from Xinchaoshun for the year ended 31 March 2019. As at 31 March 2019, a deposit paid to Xinchaoshun amounting to RMB7,020,000 (equivalent to HK$8,210,000) for raw materials had not been utilised and was recorded as a purchase deposit in the consolidated statement of financial position. According to the SAMR website, Xinchaoshun had the same phone number as Wuxi Taike and the same email address as Jiangyin Ruijia.

The predecessor auditor was unable to obtain satisfactory explanation of the reason for the above relationship between Xinchaoshun and Wuxi Taike or its related party. In addition, the predecessor auditor was unable to determine whether the above purchases from Xinchaoshun should be disclosed as a related party transaction in the consolidated financial statements for the year ended 31 March 2019 and whether the purchase deposit receivable from Xinchaoshun should be disclosed as an amount due from a related party.

1.4 *Receivable from Wuxi Qikai Mica Material Co., Ltd ("Wuxi Qikai")*

Wuxi Qikai was a major customer of Wuxi Taike. The gross balance of trade receivables due from Wuxi Qikai as at 31 March 2019 was RMB62,141,000 (equivalent to HK$73,478,000) (2018: RMB68,158,000 (equivalent to HK$85,174,000)), before provision for impairment. During the year ended 31 March 2019, due to a significant delay in settlement by Wuxi Qikai, Wuxi Taike recorded a further impairment of HK$62,478,000 (2018: HK$11,000,000).

According to the SAMR website, the former contact phone number of Wuxi Qikai belonged to the Finance Manager until 2016. The contact phone number of Wuxi Qikai was changed in 2016.

The predecessor auditor was unable to obtain a satisfactory explanation as to the relationship between Wuxi Qikai and Wuxi Taike or its related party, and in particular, the predecessor auditor was unable to obtain sufficient explanation of the reasons for the arrangement of allowing excessive credit to Wuxi Qikai during the year ended 31 March 2019 which was different from the prior years. As a result, the predecessor auditor was unable to determine whether the above receivable from Wuxi Qikai should be disclosed as an amount due from a related party in the consolidated financial statements for the year ended 31 March 2019.

Although management represented to the predecessor auditor that the transactions with Jiangyin Youjia as set out in 1.1 above are not related party transactions as Jiangyin Youjia was no longer a related party subsequent to 31 December 2018 and that the entities in 1.2 to 1.4 above were not related to the Group; due to the reasons set out in the preceding paragraphs above, the predecessor auditor was not able to ascertain whether the companies mentioned above were related parties and whether the transactions with the above entities should be disclosed as related party transactions in the consolidated financial statements pursuant to Hong Kong Accounting Standard 24 Related Party Disclosures ("HKAS 24").

INDEPENDENT AUDITOR'S REPORT (Continued)

In view of the identification of various potential related parties which were not identified as related parties by the management, the predecessor auditor was unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions in the consolidated financial statements, and whether there were any further related party transactions that would require disclosure. As a result, in light of the significance of the above transactions conducted by Wuxi Taike which constituted a significant part of the Group's consolidated net assets and loss for the year, the predecessor auditor was unable to satisfy themselves as to: (i) the completeness and adequacy of the disclosures of the Group's related party transactions under HKAS 24 in the year ended 31 March 2019 and prior years; and (ii) whether the impact of any unidentified related party transactions have been properly accounted for in the assets and liabilities of Wuxi Taike, and the resulting impact on Wuxi Taike's loss for the year ended 31 March 2019.

2. *Impairment of property, plant and equipment*
As at 31 March 2019, the carrying value of property, plant and equipment of Wuxi Taike amounted to HK$50,014,000, after a provision for impairment of HK$49,915,000. During the year ended 31 March 2019, the management of the Company considered that the recoverable amount of the property, plant and equipment of Wuxi Taike was less than the carrying amount and recorded a provision for impairment of HK$49,915,000 based on a valuation determined by a valuer appointed by the Company. In accordance with Hong Kong Accounting Standard 36 Impairment of Assets, an asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal. According to the valuation report prepared by the valuer, the replacement cost model was adopted for the estimation of the fair value less costs of disposal of the property, plant and equipment as the value in use of the property, plant and equipment was not applicable. However, due to the specialised nature of the property, plant and equipment of Wuxi Taike, and the absence of additional audit evidences, the predecessor auditor was unable to determine whether it was appropriate to use the valuation determined by the valuer using the replacement cost model as the recoverable amount of the property, plant and equipment of Wuxi Taike. Accordingly, the predecessor auditor was unable to determine whether the fair value less costs of disposal of the property, plant and equipment of Wuxi Taike had been properly measured and whether the resulting provision for impairment loss of HK$49,915,000 had been properly measured and recorded in the consolidated financial statements for the year ended 31 March 2019."

As disclosed in 39(c) to the consolidated financial statements for the year ended 31 March 2020, on 28 February 2020 (the "Date of Disposal"), the Group completed the disposal of Wuxi Taike and its immediate and intermediate holding companies (collectively "Wuxi Taike Group"). As the Group was unable to access the books and records of Wuxi Taike Group subsequent to the Date of Disposal, we were unable to obtain sufficient appropriate audit evidence relating to the financial statements of Wuxi Taike Group and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the consolidated financial position of the Group as at 31 March 2019 and 1 April 2019 and the Group's consolidated financial performance, consolidated cash flows and the related disclosures in the notes to the financial statements for the year ended 31 March 2019 were properly stated. Any adjustments to the consolidated statement of financial position of the Group as at 31 March 2019 and 1 April 2019 might affect the Group's consolidated financial performance and consolidated cash flows for the year ended 31 March 2020.

2. Disposal of Wuxi Taike Group

As disclosed in 39(c) to the consolidated financial statements, on the Date of Disposal, the Group completed the disposal of Wuxi Taike Group with a loss on disposal of HK$8,462,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020. The loss on disposal of HK$8,462,000 was calculated based on the consolidated management accounts of Wuxi Taike Group as at the Date of Disposal. Details of the assets and liabilities of the Wuxi Taike Group as at the Date of Disposal, and the details of consolidated profit and loss and cash flows of the Wuxi Taike Group for the period from 1 April 2019 to the Date of Disposal are set out in note 39(c).

Due to the facts as set out in (1) above, there were no alternative audit procedures that we could satisfy ourselves that:

(a) the carrying amounts in respect of the assets and liabilities of the Wuxi Taike Group at the Date of Disposal as set out in note 39(c) were free from material misstatement;

(b) the loss on disposal of HK$8,462,000 was fairly stated;

(c) the Group's share of the results of operations of Wuxi Taike Group for the period from 1 April 2019 to the Date of Disposal as set out in note 39(c) was fairly stated;

(d) the Group's share of cash flows movement of Wuxi Taike Group for the period from 1 April 2019 to the Date of Disposal as set out in notes 39(c) was fairly stated; and

(e) the completeness of the disclosure of all related party transactions in relation to Wuxi Taike Group for the period from 1 April 2019 to the Date of Disposal had been properly accounted for in the consolidated financial statements.

Any adjustments found to be necessary to these amounts might affect the Group's consolidated financial performance, changes in equity, movement in consolidated cash flows and the related disclosures in the notes to the financial statements for the year ended 31 March 2020.

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 qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is revenue and cost recognition for construction contracts and contract assets/liabilities.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue and costs recognition for construction contracts and contract assets/liabilities Refer to notes 5(i), 5(ii)(a), 6(b), 25 and 30 to the consolidated financial statements. The Group provides construction services which include building construction, alterations, renovation, upgrading and fitting-out works and property maintenance. The Group recognised contract revenue of HK$1,122,726,000 for the year ended 31 March 2020. The contract assets and liabilities in relation to construction contracts amounted to HK$344,327,000 and HK$5,932,000 respectively as at 31 March 2020. The recognition of revenue and cost of sales for the Group's construction contracts is based on the progress towards complete satisfaction of the performance obligation. Progress towards complete satisfaction of the performance obligation is determined by reference to work performed up to the end of the reporting period. Recognition of profit on contracts requires significant judgement and estimates of the total contract revenue and costs by management.	Our procedures included: Evaluating the estimation of revenue and costs recognised on construction contracts, on a sample basis, by: — agreeing the contract sum to signed contracts; — understanding from management and project managers about how the percentage of completion was determined; — agreeing total budgeted costs to approved budgets; — obtaining an understanding from management and project managers how the approved budgets were determined; — agreeing the progress towards complete satisfaction of the performance obligation to the surveyor's latest valuation; — challenging the reasonableness of key management judgements in preparing the budget; Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; Checking construction cost incurred during the year by tracing to supporting documents, on a sample basis; and Testing the calculation of the contract revenue, costs, assets and liabilities.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019, were audited by another auditor who expressed a disclaimer opinion on those statements on 13 May 2020.

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 Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Wo Cheung.

RSM Hong Kong
Certified Public Accountants
Hong Kong

9 October 2020

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	8	**6,246,513**	1,237,444
Cost of sales and services		**(6,101,080)**	(1,179,735)
Gross profit		**145,433**	57,709
Other income	9	**11,912**	12,472
Other (losses) and gains	10	**(11,869)**	3,606
Selling expenses		**(39,242)**	—
Administrative expenses		**(97,102)**	(79,966)
Research and development costs		**—**	(10,547)
Impairment losses on trade and other receivables		**—**	(63,439)
Impairment losses on property, plant and equipment		**—**	(49,915)
Profit/(loss) from operations		**9,132**	(130,080)
Finance costs	12	**(13,526)**	(12,140)
Loss before tax		**(4,394)**	(142,220)
Income tax expenses	13	**(14,571)**	(3,231)
Loss for the year	14	**(18,965)**	(145,451)
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(14,624)**	(18,244)
Exchange differences reclassified to profit and loss on disposal of subsidiaries		**14,130**	—
Exchange differences reclassified to profit and loss on deregistration of a subsidiary		**—**	(889)
Other comprehensive income for the year, net of tax		**(494)**	(19,133)
Total comprehensive income for the year		**(19,459)**	(164,584)
Loss per share	18		
Basic (HK cents per share)		**(0.32)**	(2.42)
Diluted (HK cents per share)		**(0.32)**	(2.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	19	**2,631**	57,611
Right-of-use assets	20	**4,917**	—
Financial assets at fair value through other comprehensive income	22	**6,000**	6,000
Prepayments, deposits and other receivables	24	**—**	555
		13,548	64,166
Current assets			
Inventories	23	**4,358**	355
Trade and other receivables	24	**574,972**	162,479
Contract assets	25	**344,327**	232,542
Financial assets at fair value through profit or loss	26	**13,881**	14,922
Current tax assets		**—**	291
Pledged bank deposits	27	**59,266**	174,934
Bank and cash balances	27	**28,634**	83,537
		1,025,438	669,060
Current liabilities			
Trade and other payables	28	**432,121**	307,595
Lease liabilities	29	**3,124**	—
Contract liabilities	30	**192,159**	11
Convertible bond	33	**21,434**	—
Amount due to a related party	31	**337**	7,069
Amount due to a director	32	**1,000**	—
Loans from a related party	31	**—**	5,033
Current tax liabilities		**11,612**	—
		661,787	319,708
Net current assets		**363,651**	349,352
Total assets less current liabilities		**377,199**	413,518
Non-current liabilities			
Convertible bond	33	**—**	18,739
Loans from a related party	31	**243,009**	243,009
Accruals and other payables	28	**487**	487
Lease liabilities	29	**1,879**	—
		245,375	262,235
NET ASSETS		**131,824**	151,283

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	35	**12,000**	12,000
Equity component of a convertible bond	33	**11,746**	11,746
Reserves	37	**108,078**	127,537
TOTAL EQUITY		**131,824**	151,283

Approved by the Board of Directors on 9 October 2020 and are signed on its behalf by:

Chau Chit
Director

Zhu Xiaodong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Issued capital HK$'000	Share premium account HK$'000 (note 37(b)(i))	Equity component of a convertible bond HK$'000	Foreign currency translation reserve HK$'000 (note 37(b)(ii))	Capital reserve HK$'000 (note 37(b)(iii))	Legal reserve HK$'000 (note 37(b)(iv))	Statutory surplus reserve HK$'000 (note 37(b)(v))	Other reserve HK$'000 (note 37(b)(vi))	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2018	12,000	300,824	11,746	18,784	3,642	12	–	22,000	(54,961)	314,047
Adjustments on initial application of HKFRS 15	–	–	–	21	–	–	–	–	1,799	1,820
Restated balance at 1 April 2018	12,000	300,824	11,746	18,805	3,642	12	–	22,000	(53,162)	315,867
Total comprehensive income for the year	–	–	–	(19,133)	–	–	–	–	(145,451)	(164,584)
Changes in equity for the year	–	–	–	(19,133)	–	–	–	–	(145,451)	(164,584)
At 31 March 2019 and 1 April 2019	12,000	300,824	11,746	(328)	3,642	12	–	22,000	(198,613)	151,283
Total comprehensive income for the year	–	–	–	(494)	–	–	–	–	(18,965)	(19,459)
Transfer to statutory surplus reserve	–	–	–	–	–	–	772	–	(772)	–
Changes in equity for the year	–	–	–	(494)	–	–	772	–	(19,737)	(19,459)
At 31 March 2020	12,000	300,824	11,746	(822)	3,642	12	772	22,000	(218,350)	131,824

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(4,394)**	(142,220)
Adjustments for:		
Finance costs	**13,526**	12,140
Interest income from bank deposits	**(3,695)**	(3,696)
Interest income from sub-contractors	**(6,819)**	(6,552)
Interest income from financial assets at fair value through other comprehensive income	**—**	(242)
Loss/(gain) on disposals of subsidiaries	**8,462**	(2,057)
Gain on deregistration of subsidiaries	**—**	(35)
Loss on disposals of property, plant and equipment	**2,777**	169
Fair value losses/(gains) on financial assets at fair value through profit or loss	**904**	(1,685)
Depreciation of property, plant and equipment	**6,350**	7,899
Depreciation of right-of-use assets	**16,967**	—
Impairment losses on property, plant and equipment	**—**	49,915
Impairment losses on trade receivables	**—**	62,478
Impairment losses on prepayments	**—**	961
Operating profit/(loss) before working capital changes	**34,078**	(22,925)
Increase in inventories	**(4,143)**	(32)
Increase in trade receivables	**(312,080)**	(65,401)
Increase in contract assets	**(111,785)**	(9,816)
(Increase)/decrease in prepayments, deposits and other receivables	**(103,169)**	26,353
Increase in trade payables	**84,357**	60,237
Increase in accruals and other payables	**92,684**	6,267
Increase in contract liabilities	**192,148**	—
Cash used in operations	**(127,910)**	(5,317)
Income tax paid	**(2,352)**	(6,483)
Net cash used in operating activities	**(130,262)**	(11,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,382)**	(50,816)
Proceeds from disposals of property, plant and equipment	**180**	6,367
Bank interest received	**3,695**	3,696
Disposals of subsidiaries	**7,974**	26,971
Decrease in non-pledged time deposits with original maturity of over three months when acquired	**—**	135,112
Purchase of financial assets at fair value through other comprehensive income	**—**	(6,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**—**	20,275
Purchase of financial assets at fair value through profit or loss	**—**	(383)
Proceeds from disposal of financial assets at fair value through profit or loss	**—**	1,881
Decrease/(increase) in time deposits with original maturity of over three months when acquired, pledged as security for bank facilities	**115,668**	(117,629)
Net cash generated from investing activities	**126,135**	19,474

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	**35,000**	—
Repayment of borrowings	**(35,000)**	(9,789)
Bank interest paid	**(70)**	(206)
Principal element of lease payment	**(16,600)**	—
Interest expenses on lease liabilities	**(1,316)**	—
Decrease in amount due to a related party	**(16,177)**	—
Increase in amount due to a director	**1,000**	—
Repayment of loans from a related party	**(5,033)**	(18,009)
Net cash used in financing activities	**(38,196)**	(28,004)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(42,323)**	(20,330)
Effect of foreign exchange rate changes	**(12,580)**	1,591
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**83,537**	102,276
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**28,634**	83,537
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**16,879**	36,137
Non-pledged time deposits with original maturity of less than three months when acquired	**11,755**	47,400
	28,634	83,537

1. GENERAL INFORMATION

Vision Fame International Holding Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law (Revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 2001 & 10, 20/F., No. 118 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company are investment holding. The principal activity of its subsidiaries are set out in note 21 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). 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.

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

(a) Application of new and revised HKFRSs

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

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

HKFRS 16 Leases

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

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

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

HKFRS 16 Leases (Continued)

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

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

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

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

(a) New definition of a lease

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

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

(b) Lessee accounting and transitional impact

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities range from 3.63% to 7.00%.

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

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

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

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of office premises was determined on a portfolio basis;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

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

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

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 42 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitment as at 31 March 2019	37,650
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(3,246)
	34,404
Less: total future interest expenses	(5,044)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 April 2019	29,360
Of which are:	
Current lease liabilities	16,926
Non-current lease liabilities	12,434
	29,360

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 consolidated financial position at 31 March 2019.

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

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

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

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 March 2019 HK$'000	Effects of adoption of HKFRS 16 Recognition of leases HK$'000	Carrying amount as at 1 April 2019 HK$'000
Assets			
Right-of-use assets	—	29,360	29,360
Liabilities			
Lease liabilities	—	29,360	29,360

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

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported 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 principal element and interest element (note 39(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (note 39(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

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

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

	2020				2019
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expenses HK$'000	Deduct: Estimated amounts related to operating lease under HKAS 17 (note 1) HK$'000	Hypothetical amounts for 2020 under HKAS 17 HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Profit/(Loss) from operations	9,132	16,967	(18,338)	7,761	(130,080)
Finance costs	(13,526)	1,316	–	(12,210)	(12,140)
Loss before tax	(4,394)	18,283	(18,338)	(4,449)	(142,220)
Loss for the year	(18,965)	18,283	(18,338)	(19,020)	(145,451)

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

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

HKFRS 16 Leases (Continued)

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

	2020			2019
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating leases under HKAS 17 (notes 1 & 2) HK$'000	Hypothetical amounts for 2020 under HKAS 17 HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash used in operations	(127,910)	(17,916)	(145,826)	(5,317)
Net cash used in operating activities	(130,262)	(17,916)	(148,178)	(11,800)
Interest element of lease rentals paid	(1,316)	1,316	–	–
Capital element of lease rentals paid	(16,600)	16,600	–	–
Net cash used in financing activities	(38,196)	17,916	(20,280)	(28,004)

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 for the year. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in for the year. Any potential net tax effect is ignored.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs 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 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 16 Covid-19 Related Rent Concessions	1 June 2020
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(a) Consolidation

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

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

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

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

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land, held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Leasehold improvements	Over the shorter of lease terms or 20% to 33%
Motor vehicles	20%
Furniture, fixtures and equipment	10% to 33%
Computer	33%
Leasehold land and buildings	4%

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

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

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

(i) The Group as a lessee

Policy applicable from 1 April 2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

(i) The Group as a lessee (Continued)

Policy applicable from 1 April 2019 (Continued)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

(i) The Group as a lessee (Continued)

Policy prior to 1 April 2019

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

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

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.

(e) 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 the Group's product development is recognised only if all of the following conditions are met:

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

— Management intends to complete the intangible asset and use or sell it.

— There is ability to use or sell the intangible asset;

— It can be demonstrated how the intangible asset will generate probable future economic benefits;

— Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;

— The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. 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.

(g) Contract assets and contract liabilities

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

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

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

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

(h) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the input method or output method.

Revenue from the building construction contracts is recognised over time, using an input method measure progress towards complete satisfaction of the services, because the Group's performance creates or enhances an asset that the customer controls as the assets is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Construction contracts (Continued)

The Group becomes entitled to invoice customers for building construction based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the input method and the milestone payment is always less than one year.

For revenue from property maintenance works under term contract and revenue from other alterations, renovation, upgrading and fitting-out contracts, the Company's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced and thus the Company satisfies a performance obligation and recognise revenue over time, using output method by reference to completion of the specific transaction assessed on the basis of the work certified incurred up to the end of the reporting period as a percentage of total contract value for each contract.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(i) Recognition and derecognition of financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(j) Financial assets

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

Debt investments

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

— amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method.

— Financial assets at fair value through other comprehensive income ("FVTOCI")—recycling, if the contractual cash flows of the instruments comprise solely payments of principal and interest and the instrument 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 ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Equity investment

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

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in notes 4(n) to 4(r) below.

(n) Borrowings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

— the amount determined in accordance with the ECL model under HKFRS 9 and

— the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(p) Convertible bonds

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loans reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(q) Trade and other payables

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

(r) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue and other income

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

Revenue from the sales of materials is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Company when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from construction contracts is recognsied in accordance with the policy set out in note 4(h) above.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(t) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payments

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

The Group issues equity-settled share-based payments to certain directors and employees.

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

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

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) Impairment of non-financial assets

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

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

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

(z) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables and contract assets as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and retention receivables. The ECL 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, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets and contracts assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

— significant increases in credit risk on other financial instruments of the same debtor; and

— an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(i) the financial instrument has a low risk of default;

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets and contracts assets (Continued)

Significant increase in credit risk (Continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

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

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets and contracts assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Provisions and contingent liabilities

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

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

(ab) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(i) Critical judgements in applying accounting policies

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

Revenue from contracts with customers

The Group applied the judgements that significantly affect the determination of the amount and timing of revenue from contracts with customer.

The Group has recognised revenue from building construction contracts over time, using an input method; the Group has recognised revenue from property maintenance works under term contract and revenue from other alterations, renovation, upgrading and fitting-out contracts over time, using an output method, to measure progress towards complete satisfaction of the service because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. The output method recognises based on direct measurements of the value of units delivered or surveys of work performed. Both methods involve the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, direct measurements of the value of units delivered or surveys of work performed and forecasts in relation to costs to complete.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(ii) Key sources of estimation uncertainty

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

(a) Revenue and profit recognition

As explained in policy notes 4(h), revenue from construction contract is recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 25 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

During the year, HK$1,122,726,000 (2019: HK$1,237,378,000) of revenue from construction contracts was recognised.

(b) Impairment of trade receivables and contract assets

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

As at 31 March 2020, the carrying amount of trade receivables and contract assets are HK$405,816,000 (net of allowance for doubtful debts of HK$Nil) and HK$344,327,000 respectively (2019: HK$93,736,000 (net of allowance for doubtful debts of HK$73,478,000) and HK$232,542,000).

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(c) Impairment of property, plant and equipment and right-of-use assets (Continued)

The carrying amount of property, plant and equipment and right-of-use assets as at 31 March 2020 were HK$2,631,000 (2019: HK$57,611,000) and HK$4,917,000 (2019: HK$Nil) respectively.

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. During the year, HK$14,571,000 (2019: HK$3,231,000) of income tax was charged to profit or loss based on the estimated profit from operations.

The carrying amount of current tax assets and current tax liabilities as at 31 March 2020 were HK$Nil (2019: HK$291,000) and HK$11,612,000 (2019: HK$Nil) respectively.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, Singapore dollar ("SGD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Company.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivable, retention receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. 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's trading terms with its customers are mainly based on the contract. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group considers the exposure to credit risk is low and ECL of trade receivables and contract assets as immaterial.

Movement in the loss allowance for trade receivables during the year is as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 April	**73,478**	11,000
Impairment losses recognised for the year	**—**	62,478
Reversals*	**(73,478)**	—
At 31 March	**—**	73,478

* The impairment loss was reversed upon the disposal of the subsidiary, Wuxi Tike during the year.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Financial assets at FVTOCI and amortised cost

All of the Group's investments at FVTOCI and amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for listed debit securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include other receivables, pledged bank deposits and restricted cash and cash and cash equivalents.

Financial assets at FVTOCI includes unlisted equity securities. The loss allowance for debt investment at FVTOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in other comprehensive income.

The Group is also exposed to credit risk in relation to listed debt investments that are measured at FVTPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$275,000 (2019: HK$305,000).

(c) Liquidity risk

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

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

	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
At 31 March 2020				
Trade payables	**—**	**234,503**	**14,032**	**248,535**
Accruals and other payables	**—**	**171,247**	**—**	**171,247**
Amount due to a related party	**337**	**—**	**—**	**337**
Amount due to a director	**1,000**	**—**	**—**	**1,000**
Loans from a related party	**—**	**9,234**	**247,626**	**256,860**
Convertible bond	**—**	**24,000**	**—**	**24,000**
Lease liabilities	**—**	**3,368**	**1,804**	**5,172**
At 31 March 2019				
Trade payables	—	137,846	26,332	164,178
Accruals and other payables	—	127,289	—	127,289
Amount due to a related party	7,069	—	—	7,069
Loans from a related party	5,033	9,234	247,626	261,893
Convertible bond	—	—	24,000	24,000

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2020, if interest rates had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK$711,000 (2019: HK$2,133,000) higher, arising mainly as a result of lower interest income from bank. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK$711,000 (2019: HK$2,133,000) lower, arising mainly as a result of higher interest income from bank.

(e) Categories of financial instruments at 31 March

	2020 **HK$'000**	2019 HK$'000
Financial assets:		
Financial assets measured at FVTOCI	**6,000**	6,000
Financial assets measured at FVTPL	**13,881**	14,922
Financial assets measured at amortised cost	**503,277**	373,603
Financial liabilities:		
Financial liabilities at amortised cost	**685,562**	565,317

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

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

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

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 March:

Description	**Fair value measurements using: Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total 2020 HK$'000**
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
— Listed equity investment	**1,574**	**—**	**—**	**1,574**
— Listed debt investment	**275**	**—**	**—**	**275**
— Other unlisted investment	**—**	**12,032**	**—**	**12,032**
Financial assets at FVTOCI				
— Unlisted equity investment	**—**	**—**	**6,000**	**6,000**
Total	**1,849**	**12,032**	**6,000**	**19,881**

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
— Listed equity investment	2,942	—	—	2,942
— Listed debt investment	305	—	—	305
— Other unlisted investment	—	11,675	—	11,675
Financial assets at FVTOCI				
— Unlisted equity investment	—	—	6,000	6,000
Total	3,247	11,675	6,000	20,922

7. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	Financial assets at FVTPL unlisted equity securities	
	2020	2019
	HK$'000	HK$'000
At beginning of year	**6,000**	—
Addition	**—**	6,000
At end of year	**6,000**	6,000

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2020:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

The fair value of unlisted investments at FVTPL is estimated by the market price of the other instruments with similar terms, credit risk and remaining maturities in the market.

The management of the Group has estimated the fair value of the unlisted equity investment of FVTOCI with reference to recent transaction price of the investment that are not supported by observable market prices or rates. The directors believe that the estimated fair value based on the above valuation technique are reasonable and appropriate at the end of the reporting period.

During the two years, there were no changes in the valuation techniques used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

8. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service line for the year is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Building construction and other construction related business	**202,282**	277,616
— Alterations, renovation, upgrading and fitting-out works	**236,931**	421,667
— Property maintenance	**683,513**	538,095
— Graphene production and trading of materials	**5,123,787**	66
	6,246,513	1,237,444

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service lines and geographical regions:

	Building construction and other construction related business		Alterations, renovation, upgrading and fitting-out works		Property maintenance		Graphene production and trading of materials		Total	
For the year ended 31 March	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Primary geographical markets										
Hong Kong	**11,084**	117,042	**229,171**	414,934	**683,513**	538,095	**–**	–	**923,768**	1,070,071
PRC except Hong Kong	**–**	–	**–**	–	**–**	–	**5,123,787**	66	**5,123,787**	66
Singapore	**191,198**	160,574	**7,760**	6,733	**–**	–	**–**	–	**198,958**	167,307
Revenue from external customers	**202,282**	277,616	**236,931**	421,667	**683,513**	538,095	**5,123,787**	66	**6,246,513**	1,237,444
Timing of revenue recognition										
Goods and services transferred at a point in time	**–**	–	**–**	–	**–**	–	**5,123,787**	66	**5,123,787**	66
Services transferred over time	**202,282**	277,616	**236,931**	421,667	**683,513**	538,095	**–**	–	**1,122,726**	1,237,378
Total	**202,282**	277,616	**236,931**	421,667	**683,513**	538,095	**5,123,787**	66	**6,246,513**	1,237,444

8. REVENUE (Continued)

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 and the expected timing of recognising revenue as follows:

	Construction contracts	
	2020	2019
	HK$'000	HK$'000
Within one year	**1,056,505**	870,297
More than one year	**1,409,026**	853,421
	2,465,531	1,723,718

9. OTHER INCOME

	2020	2019
	HK$'000	HK$'000
Interest income from:		
Bank deposits	**3,695**	3,696
Sub-contractors	**6,819**	6,552
Financial assets at FVTOCI	**—**	242
Total interest income	**10,514**	10,490
Government grants	**235**	1,285
Others	**1,163**	697
	11,912	12,472

10. OTHER (LOSSES) AND GAINS

	2020 HK$'000	2019 HK$'000
(Loss)/gain on disposals of subsidiaries	(8,462)	2,057
Loss on disposals of property, plant and equipment	(2,777)	(169)
Gain on deregistration of subsidiaries	—	35
Fair value (losses)/gains on financial asset at FVTPL	(904)	1,685
Others	274	(2)
	(11,869)	3,606

11. SEGMENT INFORMATION

The Group has four (2019: four) operating segments as follows:

(a) Building construction and other construction related business

(b) Alterations, renovation, upgrading and fitting-out works

(c) Property maintenance

(d) Graphene production and trading of materials

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

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, certain other income, other gains and losses, finance costs and income tax expense. Segment assets do not include current tax assets, financial assets at fair value through profit or loss, certain other receivables, pledge bank deposit and bank and cash balances. Segment non-assets do not include financial assets at fair value through other comprehensive income, certain property, plant and equipment and certain right-of-use assets. Segment liabilities do not include convertible bond, certain lease liabilities, amount due to a related party, amount due to a director, loans from a related party, certain trade and other payables, current tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

11. SEGMENT INFORMATION (Continued)

(i) Information about reportable segments profit or loss, assets and liabilities:

	Building construction and other construction related business HK$'000	Alterations, renovation, upgrading and fitting-out works HK$'000	Property maintenance HK$'000	Graphene production and trading of materials HK$'000	Total HK$'000
Year ended 31 March 2020					
Revenue from external customers	**202,282**	**236,931**	**683,513**	**5,123,787**	**6,246,513**
Segment profit	**16,200**	**14,704**	**35,924**	**12,163**	**78,991**
Interest revenue	**127**	**708**	**5,984**	**1,952**	**8,771**
Depreciation	**417**	**6**	**422**	**3,796**	**4,641**
Capital expenditure	**–**	**8**	**47**	**762**	**817**
At 31 March 2020					
Segment assets	**84,994**	**78,326**	**281,521**	**479,212**	**924,053**
Segment liabilities	**52,637**	**56,788**	**184,174**	**321,257**	**614,856**

	Building construction and other construction related business HK$'000	Alterations, renovation, upgrading and fitting-out works HK$'000	Property maintenance HK$'000	Graphene production and trading of materials HK$'000	Total HK$'000
Year ended 31 March 2019					
Revenue from external customers	277,616	421,667	538,095	66	1,237,444
Segment profit/(loss)	19,336	8,933	35,927	(141,782)	(77,586)
Interest revenue	93	1,792	4,667	–	6,552
Depreciation	90	150	506	3,929	4,675
Capital expenditure	16	9	486	49,218	49,729
Impairment losses on property, plant and equipment	–	–	–	49,915	49,915
Impairment losses on trade receivables	–	–	–	62,478	62,478
Impairment losses on other receivables	–	–	–	961	961
At 31 March 2019					
Segment assets	64,899	110,017	157,516	74,491	406,923
Segment liabilities	55,541	107,019	110,677	25,419	298,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

11. SEGMENT INFORMATION (Continued)

(ii) Reconciliations of reportable segments:

Revenue and profit or loss:

	2020 HK$'000	2019 HK$'000
Revenue		
Consolidated revenue	**6,246,513**	1,237,444
Profit or loss		
Total profit/(loss) of reportable segments	**78,991**	(77,586)
Unallocated amounts:		
Unallocated other income	**3,141**	4,635
Other gains and losses	**(11,869)**	3,606
Administrative expenses	**(61,131)**	(60,735)
Finance costs	**(13,526)**	(12,140)
Consolidated loss before tax	**(4,394)**	(142,220)

Assets and liabilities:

	2020 HK$'000	2019 HK$'000
Assets		
Total assets of reportable segments	**924,053**	406,923
Unallocated amounts:		
Unallocated head office and corporate assets	**114,933**	326,303
Consolidated total assets	**1,038,986**	733,226
Liabilities		
Total liabilities of reportable segments	**614,856**	298,656
Unallocated amounts:		
Unallocated head office and corporate liabilities	**292,306**	283,287
Consolidated total liabilities	**907,162**	581,943

11. SEGMENT INFORMATION (Continued)

(iii) Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding financial assets of fair value through other comprehensive income) by location of assets are detailed below:

	Revenue		Non-current assets	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Hong Kong	**923,768**	1,070,071	**6,663**	3,473
PRC except Hong Kong	**5,123,787**	66	**59**	50,569
Singapore	**198,958**	167,307	**826**	4,124
Consolidated total	**6,246,513**	1,237,444	**7,548**	58,166

(iv) Revenue from major customers:

	2020 HK$'000	2019 HK$'000
Trading of materials segment		
Customer A	**2,021,616**	—
Customer B	**1,355,314**	—
Customer C	**672,665**	—
Building construction and other construction related business and property maintenance segments		
Customer D	**699,013**	634,113
Alterations, renovation, upgrading and fitting-out works segment		
Customer E	**N/A#**	285,188

Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

12. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on loans from a related party	**9,445**	9,513
Interest on bank loans and other loans (including a convertible bond)	**2,765**	2,562
Interest expenses on lease liabilities (note 20)	**1,316**	—
Finance leases charges	**—**	65
	13,526	12,140

13. INCOME TAX EXPENSES

Income tax has been recognised in profit or loss as follows:

	2020 HK$'000	2019 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**3,073**	3,484
Over-provision in prior year	**(9)**	(253)
	3,064	3,231
Current tax — PRC Enterprise Income Tax		
Provision for the year	**11,507**	—
	14,571	3,231

13. INCOME TAX EXPENSES (Continued)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in these regions.

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25% (2019: 8.25%), and profits above that amount will be subject to the tax rate of 16.5%. For the other Hong Kong established subsidiaries, Hong Kong Profit Tax has been provided at a rate 16.5% (2019: 16.5%) on the estimated assessable profits.

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expenses and the product of loss before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before tax	**(4,394)**	(142,220)
Tax at the weighted average tax rate of 19% (2019: 25%)	**372**	(35,991)
Tax effect of income that is not taxable	**(56)**	(10)
Tax effect of expenses that are not deductible	**14,596**	34,110
Tax effect of tax losses not recognised	**—**	6,090
Tax effect on changes in tax rate	**(165)**	(165)
Tax effect of temporary difference	**249**	—
Tax reduction	**(40)**	—
Utilisation of tax losses not previously recognised	**(376)**	(367)
Over-provision in prior years	**(9)**	(253)
Others	**—**	(183)
Income tax expenses	**14,571**	3,231

14. LOSS FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**1,580**	1,908
Cost of services provided	**1,062,717**	1,179,735
Cost of inventories sold	**5,038,363**	—
Depreciation of property, plant and equipment	**6,350**	7,899
Depreciation of right-of-use assets	**16,967**	—
Net foreign exchange gains/(losses)	**314**	(2)
Research and development costs	**—**	10,547
Loss on disposals of property, plant and equipment	**2,777**	169
Operating lease rentals in respect of:		
Land and buildings	**1,440**	11,962
Impairment losses on prepayments	**—**	961
Impairment losses on property, plant and equipment	**—**	49,915
Impairment losses on trade receivables	**—**	62,478

15. EMPLOYEE BENEFITS EXPENSE

	2020 HK$'000	2019 HK$'000
Staff costs (including directors' emoluments and amount classified as research and development cost)		
— Salaries, bonus and allowance	**122,712**	107,797
— Retirement benefit scheme contributions	**4,780**	4,052
	127,492	111,849

15. EMPLOYEE BENEFITS EXPENSE (Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included one director (2019: one director) whose emoluments are reflected in the analysis presented in note 16. The emoluments of the remaining four (2019: four) individuals are set out below:

	2020 HK$'000	2019 HK$'000
Basic salaries, bonuses and allowances	**9,154**	8,391
Retirement benefit scheme contributions	**72**	72
	9,226	8,463

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**3**	2
HK$2,500,001 to HK$3,000,000	**1**	1

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

	For the year ended 31 March 2020				
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of director					
Executive directors					
Mr. Chau Chit	–	2,400	–	18	2,418
Mr. Xie Xiaotao*	–	600	–	–	600
Mr. Zhu Xiaodong**	–	697	–	–	697
Independent non-executive directors					
Mr. Tam Tak Tei, Raymond	180	–	–	–	180
Mr. Wong Kai Tung, Simon	180	–	–	–	180
Mr. Wong Wai Kwan	180	–	–	–	180
Total for 2020	540	3,697	–	18	4,255

	For the year ended 31 March 2019				
	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of director					
Executive directors					
Mr. Chau Chit	–	2,600	–	18	2,618
Mr. Dai Jialong#	–	1,000	–	–	1,000
Mr. Xie Xiaotao	–	600	–	–	600
Independent non-executive directors					
Mr. Tam Tak Tei, Raymond	180	–	–	–	180
Mr. Wong Kai Tung, Simon	180	–	–	–	180
Mr. Wong Wai Kwan	180	–	–	–	180
Total for 2019	540	4,200	–	18	4,758

* Mr. Xie Xiaotao resigned as an executive director of the Company with effect from 27 August 2020.

** Mr. Zhu Xiaodong was appointed as an executive director of the Company with effect from 2 September 2019.

\# Mr. Dai Jialong resigned as an executive director of the Company with effect from 7 September 2018.

Neither the chief executive nor any of the directors waived any emoluments during the year (2019: Nil).

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. DIVIDENDS

The directors do not recommend the payment for any dividend for the year ended 31 March 2020 (2019: Nil).

18. LOSS PER SHARE

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

	2020 **HK$'000**	2019 HK$'000
Loss for the purpose of calculating basic and diluted loss per share	**(18,965)**	(145,451)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**6,000,000**	6,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 April 2018	25,823	17,691	24,917	3,741	17,713	34,353	124,238
Additions	–	–	3,126	478	864	46,348	50,816
Disposals	–	–	(16)	–	(11,110)	–	(11,126)
Disposal of subsidiaries	(25,823)	(916)	–	–	–	–	(26,739)
Exchange difference	–	(945)	(1,187)	(2)	(773)	(2,289)	(5,196)
At 31 March 2019 and 1 April 2019	–	15,830	26,840	4,217	6,694	78,412	131,993
Additions	–	808	432	142	–	–	1,382
Disposals	–	–	(7,046)	(1,509)	(220)	(49)	(8,824)
Disposal of subsidiaries	–	(13,545)	(14,605)	(19)	–	(74,709)	(102,878)
Exchange difference	–	(682)	(1,032)	(3)	(103)	(3,654)	(5,474)
At 31 March 2020	–	2,411	4,589	2,828	6,371	–	16,199
Accumulated depreciation							
At 1 April 2018	1,033	4,512	9,014	2,785	6,493	–	23,837
Charge for the year	516	1,963	2,330	699	2,391	–	7,899
Disposals	–	–	(16)	–	(4,574)	–	(4,590)
Disposal of subsidiaries	(1,549)	(268)	–	–	–	–	(1,817)
Impairment losses	–	7,438	2,141	–	–	40,336	49,915
Exchange difference	–	(221)	(312)	(1)	(234)	(94)	(862)
At 31 March 2019 and 1 April 2019	–	13,424	13,157	3,483	4,076	40,242	74,382
Charge for the year	–	1,932	2,770	594	1,054	–	6,350
Disposals	–	–	(4,138)	(1,509)	(220)	–	(5,867)
Disposal of subsidiaries	–	(12,650)	(7,213)	(14)	–	(38,368)	(58,245)
Exchange difference	–	(606)	(527)	(1)	(44)	(1,874)	(3,052)
At 31 March 2020	–	2,100	4,049	2,553	4,866	–	13,568
Carrying amount							
At 31 March 2020	**–**	**311**	**540**	**275**	**1,505**	**–**	**2,631**
At 31 March 2019	–	2,406	13,683	734	2,618	38,170	57,611

20. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 April 2019 (note 3)	29,360
Additions	2,843
Depreciation	(16,967)
Disposal of subsidiaries	(8,761)
Translation differences	(1,558)
At 31 March 2020	4,917

Lease liabilities of HK$5,003,000 are recognised with related right-of-use assets of HK$4,917,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2020 HK$'000
Depreciation expenses on right-of-use assets	**16,967**
Interest expense on lease liabilities (included in finance cost)	**1,316**
Expenses relating to short-term lease (included in cost of services and administrative expenses)	**1,276**
Expenses relating to leases of low value assets (included in cost of services and administrative expenses)	**164**

Details of total cash outflow for leases is set out in note 39(b).

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term from 2 to 3 years, but may have termination options to terminate the lease contract of properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

21. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 March 2020 are as follows:

Name	Place of incorporation/ registration and business	Issued/registered and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
Prosper Ace Investments Limited	BVI	US$10,000	100%	—	Investment holding
Wan Chung Construction Company Limited	Hong Kong	HK$88,000,000	—	100%	(note i)
Wan Chung Engineering (Macau) Company Limited	Macau	MOP25,000	—	100%	Inactive
Wan Chung Construction (Singapore) Pte. Limited	Singapore	SGD14,700,000	—	100%	(note i)
Wan Chung Engineering Co., Limited	Hong Kong	HK$11,010,000	—	100%	(note ii)
Vision Foundation Pte. Ltd	Singapore	SGD500,000	—	100%	Provision of foundation and building construction works
Great Genius Ventures Limited	BVI	US$1	—	100%	Investment holding
Hong Kong Dakyun International Trade Company Limited	Hong Kong	HK$100	—	100%	Inactive
江蘇允順供應鏈管理有限公司 Jiangsu Yun Shun Supply Chain Management Co., Ltd (note iii)	People's Republic of China (the "PRC")	RMB100,000,000	—	100%	Trading of iron ores, cast iron and coal
Glorious Cosmos Limited	Republic of Seychelles	US$1	—	100%	Inactive

21. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(i) The principal activities of these subsidiaries consisted of the provision maintenance services, building construction works, and alterations, renovation, upgrading and fitting-out works.

(ii) The principal activities of this subsidiary consisted of the provision of building construction works and alterations, renovation, updating and fitting-out works.

(iii) Wholly-foreign-owned enterprises under laws of the PRC.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **HK$'000**	2019 HK$'000
Unlisted equity investment	**6,000**	6,000

The above investment at FVTOCI are denominated in HK$. The investment was disposed to a third party at a consideration of HK$6,000,000 on 10 September 2020.

23. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Trading inventories	**4,358**	355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

24. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**405,816**	167,214
Less: allowance for doubtful debts	**—**	(73,478)
	405,816	93,736
Prepayments	**159,595**	48,863
Deposits and other receivables	**9,561**	21,396
Less: impairment allowance	**—**	(961)
	169,156	69,298
Less: non-current portion	**—**	(555)
	169,156	68,743
	574,972	162,479

The Group's trading terms with other customers are mainly based on the contract terms. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2020 HK$'000	2019 HK$'000
0 to 90 days	**402,405**	92,977
91 to 180 days	**—**	759
181 to 365 days	**3,411**	—
	405,816	93,736

24. TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**49,037**	86,584
SGD	**15,757**	7,152
RMB	**341,022**	—
Total	**405,816**	93,736

25. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Arising from performance under		
— Alteration, renovation, upgrading and fitting-out works	**—**	1,909
— Building construction	**50,526**	38,803
— Property maintenance	**259,185**	149,323
	309,711	190,035
Retention receivables	**34,616**	42,507
	344,327	232,542

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones.

No revenue was recognised during the year from performance obligations satisfied (or partially satisfied) in previous period.

The amount of contract assets that is expected to be recovered after more than one year is HK$15,080,000 (2019: HK$27,468,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed equity investments	**1,574**	2,942
Listed debt investments	**275**	305
Other unlisted investments	**12,032**	11,675
	13,881	14,922
Analysed as:		
Current assets	**13,881**	14,922

The carrying amounts of the above financial assets are mandatorily measured at FVTPL in accordance with HKFRS 9.

27. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	2020 HK$'000	2019 HK$'000
Bank and cash balances	**16,879**	36,137
Time deposits at bank	**11,755**	47,400
	28,634	83,537
Pledged deposits (note)	**59,266**	174,934

Note:

Included in the pledged deposits as at 31 March 2019 were bank deposits of HK$116,960,000 of Wuxi Taike Nano New Material Company Limited ("Wuxi Taike"), a subsidiary of the Company, which were pledged under deposit pledge contracts ("Deposit Pledge Contracts") entered into on 23 August 2018 to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Company Ltd ("Jiangyin Youjia"), which is established in the PRC and in which Mr. Dai Jialong, a then executive director and substantial shareholder of the Group, was the legal representative, for the period from 17 August 2018 to 17 August 2019. The broad of directors did not approve or was not informed of the Deposit Pledge Contracts entered into by Wuxi Taike. Further details of the Deposit Pledge Contracts were set out in the Company's announcement dated 16 November 2018. On 23 August 2019, the Deposit Pledge Contracts expired and the sum of RMB100 million (equivalents to HK$117 million) were released on the same day.

27. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES (Continued)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
US$	**134**	134
HK$	**15,364**	69,507
RMB	**4,654**	113
Others	**8,482**	13,783
	28,634	83,537

The carrying amounts of the Group's pledged bank deposits are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**59,266**	57,974
RMB	**—**	116,960
	59,266	174,934

As at 31 March 2020, the bank and cash balances of the Group denominated in RMB amounted to HK$4,654,000 (2019: HK$113,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**197,363**	105,957
Retention monies payables	**51,172**	58,221
	248,535	164,178
Accruals and other payables	**184,073**	143,904
Less: non-current portion	**(487)**	(487)
	183,586	143,417
	432,121	307,595

The aging analysis of trade payables based on the date of receipt of goods, is as follows:

	2020 HK$'000	2019 HK$'000
0 to 90 days	**195,074**	102,947
91 to 180 days	**17**	2,199
181 to 365 days	**2,004**	538
Over 365 days	**268**	273
	197,363	105,957

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**50,055**	95,084
SGD	**20,404**	10,873
RMB	**100,503**	—
USD	**26,401**	—
Total	**197,363**	105,957

29. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Within one year	**3,368**	—	**3,124**	—
In the second to fifth years, inclusive	**1,804**	—	**1,879**	—
	5,172	—	**5,003**	—
Less: Future finance charges	**(169)**	—	**N/A**	—
Present value of lease obligations	**5,003**	—	**5,003**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,124)**	—
Amount due for settlement after 12 months			**1,879**	—

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. Comparative information as at 31 March 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

Lease liabilities are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**4,908**	—
SGD	**95**	—
	5,003	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2020

30. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities		
— Construction service	**5,932**	11
— Delivery of materials	**186,227**	—
	192,159	11

Contract liabilities relating to construction services and delivery of materials are related short-term advances received to render construction services and receipts in advance from customers for purchasing iron ores and cast iron.

Movements in contract liabilities:

	2020 HK$'000	2019 HK$'000
Balance at 1 April	**11**	130,479
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(11)**	(130,479)
Increase in contract liabilities as a result of billing in advance of delivery of materials/construction services	**192,159**	11
Balance at 31 March	**192,159**	11

31. AMOUNT DUE TO A RELATED PARTY/LOANS FROM A RELATED PARTY

The amount due to a related party represents fund advance from Mr. Wong Law Fai, a director of certain subsidiaries of the Company. The amount is unsecured, interest-free and repayable on demand.

The loans from a related party represent loans from Mr. Wong Law Fai, a director of certain subsidiaries of the Company. The loans are unsecured, interest bearing at 3.80% per annum and repayable in September 2021.

32. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, interest free and has no fixed repayment term.

33. CONVERTIBLE BOND

On 3 February 2016, the Company issued a convertible bond with a principal amount of HK$24,000,000 to Mega Start Limited ("Mega Start"), which is a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Chairman and an executive Director of the Company). The convertible bond bears no interest and the outstanding principal amount of the convertible bond shall be converted into ordinary shares of the Company in full mandatorily at the initial conversion price of HK$0.3 per conversion share (which was revised to HK$0.06 per conversion share after the share subdivision on 3 May 2016), if and only if, the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 exceed HK$300 million in aggregate. Unless the conversion conditions are met and converted, the convertible bond shall be redeemed at the principal amount on the maturity date, which is 5 years after the date of issue.

At 31 March 2018, the conversion condition was not satisfied as the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 did not exceed HK$300 million in aggregate and the mandatory conversion should not take place. The convertible bond should be redeemed in full upon maturity.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bond issued had been split into the liability and equity components as follows:

	2020 **HK$'000**	2019 HK$'000
Nominal value		
At 31 March 2019, 1 April 2019 and 31 March 2020	**24,000**	24,000
Liability component		
At beginning of year	**18,739**	16,383
Interest expense	**2,695**	2,356
At 31 March	**21,434**	18,739
Equity component		
At 31 March 2019, 1 April 2019 and 31 March 2020	**11,746**	11,746

34. DEFERRED TAX

At the end of the reporting year the Group has unused tax losses of approximately HK$40,885,000 (2019: HK$107,746,000) available for offset against future profits. No deferred tax asset has been recognised in respect of approximately HK$40,885,000 (2019: HK$107,746,000) due to the unpredictability of future profit streams. As at 31 March 2020, apart from the tax losses arising in the PRC of HK$Nil (2019:HK$30,720,000) that will expire in one to five years, all the other tax losses may be carried forward indefinitely.

35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.002 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.002 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	6,000,000	12,000

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

35. SHARE CAPITAL (Continued)

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt comprises borrowings, loans from a related party, convertible bond, contract liabilities and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) plus net debt.

	2020 HK$'000	2019 HK$'000
Total debt	**895,550**	581,943
Less: cash and cash equivalents	**(28,634)**	(83,537)
pledged bank deposits	**(59,266)**	(174,934)
Net debt	**807,650**	323,472
Total equity	**131,824**	151,283
Debt-to-adjusted capital ratio	**86%**	68%

The debt-to-adjusted capital ratio increased from 68% to 86% resulted primarily from the increase in contract liabilities and decrease of pledged bank deposits.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 March 2020 and 2019.

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Interests in subsidiaries		**—**	—
Current assets			
Trade and other receivables		**4**	766
Amounts due from subsidiaries		**141,223**	161,413
Bank and cash balances		**86**	5,551
		141,313	167,730
Current liabilities			
Trade and other payables		**2,469**	1,636
Amount due to a director		**1,000**	—
Amounts due to subsidiaries		**58,329**	75,888
Convertible bond		**21,434**	—
		83,232	77,524
Net current assets		**58,081**	90,206
Total assets less current liabilities		**58,081**	90,206
Non-current liabilities			
Convertible bond		**—**	18,739
NET ASSETS		**58,081**	71,467
Capital and reserves			
Share capital		**12,000**	12,000
Equity component of a convertible bond		**11,746**	11,746
Reserves	36(b)	**34,335**	47,721
TOTAL EQUITY		**58,081**	71,467

Approved by the Board of Directors on 9 October 2020 and are signed on its behalf by:

Chau Chit
Director

Zhu Xiaodong
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Retained profits HK$'000
At 1 April 2018	269,818
Loss for the year	(222,097)
At 31 March 2019 and at 1 April 2019	47,721
Loss for the year	(13,386)
At 31 March 2020	34,335

37. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

37. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(iii) Capital reserve

Capital reserve comprises the following in prior years:

— Wan Chung Construction Company Limited ("Wan Chung Construction") acquired the entire equity interest in Wan Chung Property Company Limited from its then shareholder at a discount of approximately HK$2,776,000 which was deemed to be capital contribution from the owners of the Company.

— Wan Chung Construction recovered indemnified taxation of approximately HK$866,000 from its former shareholder pursuant to the deed of indemnity which was deemed to be capital contribution from the owners of the Company.

(iv) Legal reserve

In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders. No transfer was made in current and prior years as the subsidiary incurred a loss for both years.

(v) Statutory surplus reserve

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiary under the applicable laws and regulations in the PRC.

(vi) Other reserve

Other reserve represents the difference between the nominal value of the issued share capital of the subsidiaries acquired and the consideration paid pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in January 2012.

38. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 19 December 2011, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the Scheme include employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, and business partners or service providers of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine, which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least higher than (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options have been granted since the adoption of the Scheme and there were no outstanding share options at the end of the reporting period.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 April 2019 HK$'000	Impact on initial application of HKFRS 16 HK$'000	Restated balance at 1 April 2019 HK$'000	Addition of leased properties HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Disposal of subsidiaries HK$'000	Exchange difference HK$'000	31 March 2020 HK$'000
Lease liabilities	–	29,360	29,360	2,843	(17,916)	1,316	(9,042)	(1,558)	5,003
Convertible bond	18,739	–	18,739	–	–	2,695	–	–	21,434
Amount due to a related party	7,069	–	7,069	–	(16,177)	9,445	–	–	337
Amount due to a director	–	–	–	–	1,000	–	–	–	1,000
Loan from a related party	248,042	–	248,042	–	(5,033)	–	–	–	243,009
Borrowings	–	–	–	–	(70)	70	–	–	–
	273,850	29,360	303,210	2,843	(38,196)	13,526	(9,042)	(1,558)	270,783

	1 April 2018 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Non-cash transaction HK$'000	Exchange difference HK$'000	31 March 2019 HK$'000
Convertible bond	16,383	—	2,356	—	—	18,739
Amount due to a related party	39	—	—	7,030	—	7,069
Loan from a related party	263,568	(18,009)	9,513	(7,030)	—	248,042
Borrowings	8,785	(8,991)	206	—	—	—
Finance lease payables	974	(1,004)	65	—	(35)	—
	289,749	(28,004)	12,140	—	(35)	273,850

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

(b) Total cash outflow for leases

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

	2020 **HK$'000**	2019 HK$'000
Within operating cash flows	**1,440**	11,962
Within financing cash flows	**17,916**	—
	19,356	11,962

These amounts relate to the following:

	2020 **HK$'000**	2019 HK$'000
Lease rental paid	**19,356**	11,962

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

(c) Disposal of a subsidiary

On 28 February 2020 (the "Date of Disposal"), the Group disposed of its entire interests in a subsidiary, Pure Fountain Holdings Limited ("Pure Fountain"), which holds 100% equity interests in China Carbon Valley Technology Group Limited ("China Carbon") and Wuxi Taike (collectively "Wuxi Taike Group"). Wuxi Taike was principally engaged in the development of the graphene production business and trading of materials.

List of disposed subsidiaries is as follows:

Name	Place of incorporation/ registration and business	Issued/registered and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
Pure Fountain	BVI	US$1	100%	—	Investment holding
China Carbon	Hong Kong	HK$1	—	100%	Investment holding and provision of management services
Wuxi Taike	PRC	HK$200,000,000	—	100%	Production of graphene and trading of materials

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

(c) Disposal of a subsidiary (Continued)

The assets and liabilities of Wuxi Taike Group at the Date of Disposal were as follows:

	HK$'000
Property, plant and equipment	44,633
Right-of-use assets	8,761
Prepayments and other receivables	10,130
Inventories	339
Bank and cash balances	947
Accruals and other payables	(52,515)
Lease liabilities	(9,042)
Net assets disposed of	3,253
Release of foreign currency translation reserve	14,130
Loss on disposal of subsidiaries	(8,462)
Total consideration	8,921
Consideration satisfied by	
Cash	8,921
Net cash inflow arising on disposal:	
Cash consideration received	8,921
Cash and cash equivalents disposed of	(947)
	7,974

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

(c) Disposal of a subsidiary (Continued)

The loss of Wuxi Taike Group for the period from 1 April 2019 to the Date of Disposal were as follows:

	HK$'000
Other income	1,953
Administrative expenses	(35,790)
Finance cost	(1,057)
Loss for the period	(34,894)

Loss for the period of Wuxi Taike Group from 1 April 2019 to the Date of Disposal include the following:

	HK$'000
Depreciation of property, plant and equipment	3,796
Depreciation of right-of-use assets	13,767
Staff costs	
— Salaries, bonus and allowance	6,535
— Retirement benefit scheme contributions	237

Cash flows of Wuxi Taike Group for the period from 1 April 2019 to the Date of Disposal were as follows:

	HK$'000
Net cash inflows from operating activities	22,734
Net cash inflows from investing activities	116,248
Net cash outflows from financing activities	(132,626)
Effect of foreign exchange rate changes	(6,013)
Net cash inflows	343

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

(d) Disposal of subsidiaries

On 27 September 2018, the Group disposed of its entire interest in a subsidiary, Prosperous Star Limited, which engaged in property holding, to an independent third party for a total consideration of HK$28,300,000.

On the same day, the Group disposed of its entire interest in a subsidiary, Smart Sky Hong Limited and its subsidiaries to an independent third party for a total consideration of HK$4,000. All the disposed entities were inactive.

Net assets at the date of disposals were as follows:

	2019 HK$'000
Property, plant and equipment	24,922
Prepayments and other receivables	23
Bank and cash balances	12
Accruals and other payables	(31)
Net assets disposed of	24,926
Gain on disposal of subsidiaries	2,057
Total consideration	26,983
Consideration satisfied by	
Cash	26,983
Net cash inflow arising on disposal:	
Cash consideration received	26,983
Cash and cash equivalents disposed of	(12)
	26,971

40. CONTINGENT LIABILITIES

Performance bonds amounting to approximately HK$101,226,000 (2019: approximately HK$121,258,000) were given by banks or insurance companies in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the construction contracts entered into between the Group and these customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks or insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks or insurance companies accordingly. The performance bonds will be released upon completion of the contract works for the relevant customers. At the end of the reporting period, the directors do not consider it will be probable that a claim will be made against the Company under any of the above guarantees. The maximum liability of the Company at the end of the reporting period under such guarantees is the outstanding amount at that date.

In addition, certain subsidiaries of the Company are defendants in certain claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote, after due consideration of each cases and with reference to legal advice.

41. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2020 **HK$'000**	2019 HK$'000
Property, plant and equipment	–	11,781

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 March 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000
Within one year	21,156
In the second to fifth year inclusive	16,494
	37,650

42. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessee (Continued)

Operating lease payments represent rentals payable by the Group for certain of its offices and staff quarters. Leases are negotiated for an average term of 1 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term leases for offices and staff quarters. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20. As at 31 March 2020, the outstanding lease commitments relating to these offices and staff quarters amounted to HK$200,000.

43. RELATED PARTY TRANSACTIONS

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

	2020 HK$'000	2019 HK$'000
Interest expenses paid to a related party (note (i))	**9,445**	9,513
Interest expenses on convertible bond (note (ii))	**2,695**	2,356

(i) The amount represents the interest expenses attributable to the loans from a related party, Mr. Wong Law Fai, a director of certain subsidiaries of the Company.

(ii) The amount represents the interest expenses to Mega Start Limited, a shareholder of the Company in relation to subscription of a convertible bond in a principal amount of HK$24,000,000.

(b) Compensation of key management personnel

The details of remuneration of key management personnel represents the emoluments of directors of the Company paid during the year and are set out in note 16(a).

The remuneration of directors and other members of key management during the year was follow:

	2020 HK$'000	2019 HK$'000
Short term benefits	**9,071**	9,504

(c) Performance bond of approximately HK$36,322,000 (2019: HK$50,184,000) was guaranteed by Mr. Wong Law Fai.

(d) Mr. Wong Law Fai provided a back-to-back guarantee of HK$43,116,000 (2019: HK$16,626,000) to the Company in relation to financial guarantee of certain construction projects.

44. TRANSACTIONS WITH JIANGYIN YOUJIA PEARLESCENT MICA CO., LTD ("JIANGYIN YOUJIA")

Wuxi Taike had the following material transactions with Jiangyin Youjia prior to the completion of the disposal of Wuxi Taike Group:

	2020 HK$'000	2019 HK$'000
Administrative expenses paid on behalf by Jiangyin Youjia (note a)	**7,294**	4,100
Rental expenses paid to Jiangyin Youjia (note b)	**5,000**	8,480
Pledged bank deposits in favour to Jiangyin Youjia (note c)	**–**	116,960
Proceed from disposal of a motor vehicle of Wuxi Taike (note d)	**–**	7,368

Note:

(a) The administrative expenses paid on behalf by Jiangyin Youjia were based on costs as proposed by Jiangyin Youjia.

(b) The rental expenses paid to Jiangyin Youjia were charged pursuant to a rental agreement entered into between Wuxi Taike and Jiangyin Youjia on terms agreed between the parties.

(c) Wuxi Taike entered into 2 pledge contracts dated 23 August 2018 totalling RMB100 million (equivalent to HK$116.96 million) with a bank for a year to guarantee the indebtedness of Jiangyin Youjia, further details of which were set out in note 27 to the consolidated financial statements.

(d) During the year ended 31 March 2019, a motor vehicle of Wuxi Taike was disposed of for RMB6,300,000 (equivalent to HK$7,368,000). The sale proceed was transferred to Jiangyin Youjia for setting off with other payables to Jiangyin Youjia during the year ended 31 March 2020.

(e) The Group has guaranteed banking facilities granted to a related company amounting to HK$Nil (2019: HK$116,960,000) as at the end of the reporting periods as further detailed in note 27 to the financial statements.

In the opinion of the directors, Jiangyin Youjia was considered a related party of the Company up to 31 December 2018 as Mr. Dai Jialong, a then executive director and substantial shareholder, was the legal representative of Jiangyin Youjia. The relevant administrative expense paid on behalf by Jiangyin Youjia and rental expense paid to Jiangyin Youjia for the period from 1 April 2018 to 31 December 2018 amounted to HK$1,114,000 and HK$4,250,000, respectively.

In prior years, Wuxi Taike signed a rental agreement with a landlord, for leasing the office and factory premises in Zhutang town. According to this agreement, the rent expense from 15 March 2016 to 14 March 2018 was free of charge and market rent shall be charged thereafter. During the year ended 31 March 2019, upon the forensic review on the affairs of Wuxi Taike by a professional firm appointed by the Company, the leased premises were discovered to be owned by Jiangyin Youjia and no rent was charged by Jiangyin Youjia for the leased premises up to 30 September 2018.

At 31 March 2019, the amount due to Jiangyin Youjia of HK$1,460,000 included in other payables was unsecured, interest-free and repayable on demand.

44. TRANSACTIONS WITH JIANGYIN YOUJIA PEARLESCENT MICA CO., LTD ("JIANGYIN YOUJIA") (Continued)

During the year ended 31 March 2020, Wuxi Taike received a refund for a prepaid purchase of RMB7,020,000 (equivalent to HK$8,210,000) from a supplier which was then paid to Jiangyin Youjia for setting off with other payable to Jiangyin Youjia. Moreover, Jiangyin Youjia further made a claim for expense paid on behalf of Wuxi Taike of RMB7,294,000. Such further claim together with rental payable to Jiangyin Youjia related to a period after 31 March 2019 of RMB5,000,000 were offset with the proceed from disposal of a motor vehicle as mentioned above.

45. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Company is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Company. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Company's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	2,502,744	1,507,561	1,209,103	1,237,444	**6,246,513**
Profit/(loss) before taxation	20,997	1,088	(18,760)	(142,220)	**(4,394)**
Income tax expense	(1,079)	(1,233)	(3,612)	(3,231)	**(14,571)**
Profit/(loss) attributable to owners of the parent	19,918	(145)	(22,372)	(145,451)	**(18,965)**

CONSOLIDATED ASSETS AND LIABILITIES

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	968,660	1,039,077	837,655	733,226	**1,038,986**
Total liabilities	(644,374)	(734,415)	(523,608)	(581,943)	**(907,162)**
Total equity	324,286	304,662	314,047	151,283	**131,824**