

# HK Asia Holdings Limited 港亞控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1723

ANNAUL REPORT 2020

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Siu Muk Lung (*Chairman*)

Mr. Chung Chi Fai

#### Non-executive Directors

Mr. Ritchie Ma

Mr. Lam Kin Lun Davie

#### Independent Non-executive Directors

Mr. Lee Kwan Ho, Vincent Marshall

Mr. Kwok Wai Leung, Stanley

Mr. Fok Kam Chau

Mr. Shiao Hei Lok Herod

### AUDIT COMMITTEE

Mr. Fok Kam Chau (*Chairman*)

Mr. Lam Kin Lun Davie

Mr. Kwok Wai Leung, Stanley

Mr. Shiao Hei Lok Herod

### REMUNERATION COMMITTEE

Mr. Shiao Hei Lok Herod (*Chairman*)

Mr. Ritchie Ma

Mr. Kwok Wai Leung, Stanley

Mr. Fok Kam Chau

### NOMINATION COMMITTEE

Mr. Siu Muk Lung (*Chairman*)

Mr. Lee Kwan Ho, Vincent Marshall

Mr. Kwok Wai Leung, Stanley

Mr. Shiao Hei Lok Herod

Mr. Fok Kam Chau

### AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Siu Muk Lung

Mr. Chan Him Alfred

### JOINT COMPANY SECRETARIES

Mr. Chan Him Alfred

Mr. Au Yeung Yiu Chung (*appointed on 26 April 2019  
and ceased to act on 2 June 2020*)

### AUDITORS

HLB Hodgson Impey Cheng Limited

### LEGAL ADVISOR TO THE COMPANY AS TO HONG KONG LAW

Sit, Fung, Kwong & Shum, Solicitors

### COMPLIANCE ADVISER

CLC International Limited (until 31 October 2019)

Pulsar Capital Limited (effective from 1 November 2019)

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24th Floor, Chun Wo Commercial Centre

23 Wing Wo Street, Sheung Wan

Hong Kong

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

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong (*up to 10 July 2019*)

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong (*effective from 11 July 2019*)

### STOCK CODE

1723

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

### COMPANY WEBSITE

[www.hkasiaholdings.com](http://www.hkasiaholdings.com)

## TO THE SHAREHOLDERS

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of HK Asia Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”), I hereby present the annual report of the Company for the year ended 31 March 2020.

## BUSINESS REVIEW

The Group conducts wholesale and retail sales of pre-paid products (i.e. SIM card and top-up voucher) (the “**Pre-paid Products**”) in Hong Kong targeted at Indonesian and Filipino consumers and Pre-paid Products targeted at mobile users who demand for local and international phone call and/or mobile data services in Hong Kong and overseas (“**Other Users**”). The Group is a long-established and well-recognized distributor in the industry.

During the year ended 31 March 2020, the Group recorded growth of turnover of approximately 2.6% to approximately HK\$200.0 million compared to last year (2019: approximately HK\$195.0 million) and the increase in profit for the year ended 31 March 2020 of approximately 67.3% to approximately HK\$26.6 million compared to last year (2019: approximately HK\$15.9 million). During the year ended 31 March 2020, the Group has obtained two more Pre-paid Products sourced from a supplier for sales and after 31 March 2020, one more Pre-paid Product was sourced from a supplier for sales. The Group has also rented a new self-managed retail shop for two years in Mong Kok in May 2020 making a total of six self-managed retail shops operated by the Group.

## OUTLOOK AND PROSPECT

The Group is seeking to expand its business and further increase its market share in the sectors of Pre-paid Products targeted at (i) Indonesian and Filipino consumers; and (ii) Other Users. The Group plans to increase the number of retailers in sales network, increase advertising and marketing activities, strengthen the Group's inventory management capability and other alternatives to cope with the potential impact of the COVID-19 outbreak including by negotiating more discounts on purchases from suppliers.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my deep gratitude to all our business partners, customers, suppliers and the shareholders of the Company (the “**Shareholders**”) for their continuous support. The growth of the Group would not be attained without the support and efforts from all the stakeholders. We shall continue to strive our best to develop and grow to maximise values for the Shareholders.

**Siu Muk Lung**

*Chairman and Executive Director*

Hong Kong, 24 June 2020



# Management Discussion And Analysis

## BUSINESS REVIEW

The Group principally conducts wholesale and retail sales of Pre-paid Products in Hong Kong. During the year ended 31 March 2020, the Group obtained two more products sourced from the suppliers for sales, including a Pre-paid Product with face value of HK\$238 inclusive of 56GB data for use of mobile data services (of which 20GB can only be used in certain social media and instant messaging applications) in Hong Kong and a Pre-paid Product with face value of HK\$110 with unlimited use of mobile data services for 30 days in Hong Kong. After the year ended 31 March 2020, the Group obtained one more product sourced from the suppliers for sales, which was a Pre-paid Product with face value of HK\$328 inclusive of 90GB data for use of mobile data services (of which 30GB can only be used in certain social media and instant messaging applications) in Hong Kong. The Group also rented a new self-managed retail shop for two years in Mong Kok in May 2020 making a total of six self-managed retail shops operated by the Group.

## OUTLOOK AND PROSPECT

The Group is seeking to expand its business and further increase its market share in the sectors of Pre-paid Products targeted at (i) Indonesian and Filipino consumers; and (ii) Other Users.

The Group plans to increase the number of retailers in sales network, increase advertising and marketing activities, strengthen the Group's inventory management capability and other alternatives to cope with the potential impact of the COVID-19 outbreak including by negotiating more discounts on purchases from suppliers.

## FINANCIAL REVIEW

### Revenue

During the year ended 31 March 2020, the Group's revenue amounted to approximately HK\$200.0 million, representing an increase of approximately 2.6% as compared to approximately HK\$195.0 million for the year ended 31 March 2019. The increase in revenue was mainly due to the increase in sales to the wholesaler and retailers within the Group's sales network by approximately HK\$26.5 million which offset the effect of decrease in sales made by the Group's own retail shops by approximately HK\$21.5 million.

### Gross profit and gross profit margin

The Group's gross profit was approximately HK\$66.8 million for the year ended 31 March 2020 which was the same as that for the year ended 31 March 2019. The gross profit margin decreased from approximately 34.3% for the year ended 31 March 2019 to approximately 33.4% for the year ended 31 March 2020. The decrease in gross profit margin was primarily due to the increase in sales of Pre-paid Products targeted at Other Users which were sold at a lower gross profit margin.

### Other revenue

During the year ended 31 March 2020, the Group's other revenue amounted to approximately HK\$1.9 million, representing a decrease of approximately 36.7% as compared to approximately HK\$3.0 million for the year ended 31 March 2019. The decrease in other revenue was mainly due to the decrease in consignment income for selling mobile phones and accessories and the increase in fair value loss on financial assets at fair value through profit or loss.

## Management Discussion And Analysis (continued)

### Selling and distribution expenses

Selling and distribution expenses mainly comprised (i) depreciation of right-of-use assets; (ii) staff costs; (iii) advertising and promotion expenses; and (iv) other expenses. During the year ended 31 March 2020, selling and distribution expenses amounted to approximately HK\$23.5 million (2019: approximately HK\$24.9 million), representing a decrease of approximately 5.6% as compared to the year ended 31 March 2019. The decrease in selling and distribution expenses was mainly attributable to the decrease in advertising and promotion expenses of approximately HK\$2.3 million which offset the effect of increase in staff costs of approximately HK\$0.8 million and the increase in other expenses of approximately HK\$0.1 million.

### Administrative expenses

Administrative expenses mainly represented (i) staff costs; (ii) depreciation of right-of-use assets; (iii) professional fees; and (iv) other expenses. For the year ended 31 March 2020, administrative expenses amounted to approximately HK\$13.2 million (2019: approximately HK\$23.5 million), representing a decrease of approximately 43.8% as compared to the year ended 31 March 2019. Excluding the non-recurring listing expenses of approximately HK\$12.5 million, the Group's adjusted administrative expenses for the corresponding year in 2019 would have been approximately HK\$11.0 million. Administrative expenses for the year ended 31 March 2020 represented an increase of approximately 20.0% as compared with the adjusted administrative expenses for the corresponding year in 2019 which was mainly attributable to the increase in staff costs of approximately HK\$2.1 million and the increase in professional fees of approximately HK\$0.6 million which offset the effect of decrease in other expenses of approximately HK\$0.5 million.

### Finance cost

Finance cost comprised interest expenses on lease liabilities and amounted to approximately HK\$0.1 million for the year ended 31 March 2020 (2019: nil) which was mainly due to the recognition of lease liabilities after the initial application of Hong Kong Financial Reporting Standard 16 "Leases" on 1 April 2019.

### Taxation

During the year ended 31 March 2020, the income tax expenses amounted to approximately HK\$5.2 million (2019: approximately HK\$5.4 million) and the effective tax rate for the year was approximately 16.4% (2019: approximately 25.2% which was higher than the statutory profits tax rate of 16.5% because the listing expenses were not deductible for tax purpose).

### Profit for the year

Profit for the year ended 31 March 2020 was approximately HK\$26.6 million, representing an increase of approximately 67.3% as compared with approximately HK\$15.9 million for the corresponding year in 2019. Excluding the non-recurring listing expenses amounting to approximately HK\$12.5 million, the Group's adjusted profit for the corresponding year in 2019 would have been approximately HK\$28.4 million. The Group's profit for the year ended 31 March 2020 represented a decrease of approximately 6.3% as compared with the adjusted profit of approximately HK\$28.4 million for the corresponding year in 2019 which was mainly attributable to the reasons mentioned above.

## Management Discussion And Analysis (continued)

### Inventories

The Group had inventories of approximately HK\$68.9 million as at 31 March 2020, representing an increase of approximately HK\$12.6 million compared to the inventories of approximately HK\$56.3 million as at 31 March 2019. The increase was resulted from additional quantity of products provided by suppliers through bulk purchase discount during the year ended 31 March 2020.

## LIQUIDITY AND CAPITAL RESOURCES

### Net current assets

The Group had net current assets of approximately HK\$129.1 million as at 31 March 2020 (31 March 2019: HK\$146.2 million). The current ratio of the Group decreased from approximately 33.4 times as at 31 March 2019 to approximately 3.7 times as at 31 March 2020. Such decrease was mainly attributable to (i) the increase in current assets of approximately HK\$27.0 million which was mainly attributable to the increase in inventories and cash and cash equivalents; and (ii) the increase in current liabilities of approximately HK\$44.1 million which was mainly due to the increase in dividend payable, lease liabilities, accruals and other payables.

### Borrowings

The Group's bank and other borrowings was nil as at 31 March 2020 (31 March 2019: nil).

### Gearing ratio

The Group's gearing ratio was nil as at 31 March 2020 (31 March 2019: nil) as it has no outstanding interest-bearing bank and other borrowings. The gearing ratio equals total amount of interest-bearing bank and other borrowings divided by total amount of equity and multiplied by 100%.

### Share capital structure

As at 31 March 2020 and 31 March 2019, the Company's issued share capital was HK\$4,000,000 and the number of issued shares of the Company was 400,000,000 ordinary shares of HK\$0.01 each (the "Shares").

### Foreign Exchange Exposure

All of the transactions of the Group are denominated in HK\$ and the Group is not exposed to any significant foreign exchange exposure. The Group had not used any financial instruments for hedging purposes and no hedging policy against foreign currency risk was maintained by the Group.

## Management Discussion And Analysis (continued)

### EMPLOYEES AND EMOLUMENTS POLICY

As at 31 March 2020, the Group had 46 employees (31 March 2019: 43 employees) with a total remuneration of approximately HK\$14.2 million during the year ended 31 March 2020 (2019: approximately HK\$11.2 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices. Performance bonuses are offered to qualified employees based on individual and the Group's performance. The Group is dedicated to providing training programs for new employees and regular on-the-job trainings to employees to enhance their sales and marketing skills and know-how. The emoluments of the Directors are recommended by the Remuneration Committee of the Company, with reference to their respective contribution of time, effort and expertise on the Company's matters. The Company has also adopted a share option scheme to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

### PLEDGE OF ASSETS

As at 31 March 2020, the Group did not have any pledged assets (31 March 2019: nil).

### MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the year ended 31 March 2020, there was no material acquisition, disposal or significant investment by the Group (2019: nil).



## Management Discussion And Analysis (continued)

### USE OF PROCEEDS FROM SHARE OFFER

The business objectives and planned use of proceeds as stated in the prospectus dated 11 September 2018 published by the Company (the “**Prospectus**”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer (as defined in the Prospectus) received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer, were approximately HK\$40.6 million. As at 31 March 2020, the net proceeds from the Share Offer had been applied in the following manner:

	<b>Planned use of net proceeds HK\$' million (approximately)</b>	<b>Amount utilised as at 31 March 2020 HK\$' million (approximately)</b>	<b>Remaining balance as at 31 March 2020 HK\$' million (approximately)</b>
Setting up of five retail shops	27.0	–	27.0
Hiring additional sales personnel	1.6	1.1	0.5
Carrying out marketing and promotional activities	9.8	1.8	8.0
Implementing an enterprises resources planning system	1.9	0.2	1.7
For working capital and other general corporate purposes	0.3	0.3	–
	<b>40.6</b>	<b>3.4</b>	<b>37.2</b>

The unutilized net proceeds have been placed with licensed banks in Hong Kong as interest bearing deposits. The Board closely monitored the use of proceeds from the listing of Shares (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 September 2018 (the “**Listing Date**”) with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus. Due to the social unrest and the outbreak of COVID-19, the Group’s plan to set up new retail shops and carry out marketing and promotional activities has been delayed. The balance of the unutilized proceeds is expected to be utilized in the coming two financial years.

### EVENT AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented in Hong Kong. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this annual report, the Board was not aware of any material adverse impact on the financial statements of the Group.

### CAPITAL COMMITMENT

As at 31 March 2020, the Group had capital commitments of approximately HK\$300,000 (31 March 2019: approximately HK\$300,000) in respect of acquisition of property, plant and equipment.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group’s current business and implementing the future plans as disclosed in the Prospectus, the Group will explore new business opportunities as and when appropriate, in order to enhance Shareholders’ value.

### CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 (31 March 2019: nil).

## Biographical Details of Directors and Senior Management

### Executive Directors

**Mr. Siu Muk Lung** (蕭木龍先生) (“**Mr. Siu**”), aged 59, is the founder of the Group, the Chairman of the Board and the Nomination Committee of the Company, and an executive Director. He has been a director of Mobile Phone Direct Selling Centre Limited since December 1995. He is primarily responsible for leading and chairing meetings of the Board, supervising the operations of the Group, planning the business and marketing strategies and overseeing the management of the business of the Group. Mr. Siu was appointed as a Director on 5 May 2016 upon the incorporation of the Company and was redesignated as an executive Director on 27 August 2018. Mr. Siu serves the office of director in each of the subsidiaries of the Group. Mr. Siu attended secondary education in the PRC until 1978.

Since the founding of the Group, Mr. Siu has been working in the pre-paid SIM card and mobile phone industry during which period he worked/served as the director of various subsidiaries in the Group. With his background and experience in the pre-paid SIM card and mobile phone industry, Mr. Siu has been able to help the Group expand its market share in the industry, enabling the Group to become one of the market leaders. Mr. Siu has also been a member of the fourth session of Yulin Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議玉林委員會) since 2015.

**Mr. Chung Chi Fai** (鍾志輝先生) (“**Mr. Chung**”), aged 44, is an executive Director and the general manager of the Company. He is primarily responsible for formulating overall policies and strategies of the Group, participating in meetings of the Board and overseeing the general management and day-to-day operations of the business of the Group.

Mr. Chung joined the Group in July 1995 and was responsible for overseeing the business operations of the retail shops. He has served in various departments of the Group as sales and general manager. He was appointed as a Director on 18 August 2017 and was redesignated as an executive Director on 27 August 2018. He is currently the general manager of Kinson Group Company Limited, a wholly-owned subsidiary of the Company. Mr. Chung completed his secondary education in Hong Kong in August 1993. Mr. Chung has over 20 years of experience in the mobile phone industry. Prior to joining the Group, he was the sales manager of Otel Telecom from September 1993 to May 1995, during which he was responsible for overseeing the distribution of mobile phone accessories and network services.

### Non-executive Directors

**Mr. Ritchie Ma** (馬肇文先生) (formerly known as **Ma Si Ping Ritchie** (馬仕平)) (“**Mr. Ma**”), aged 60, is a non-executive Director and a member of the Remuneration Committee of the Company. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring the Directors’ consideration and/or approval. Mr. Ma was appointed as a Director on 18 August 2017, and was redesignated as a non-executive Director on 27 August 2018.

Mr. Ma graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), Hong Kong in November 1989 with a Higher Certificate in Communication, Advertising and Marketing. He further obtained a Master of Business degree from the University of Newcastle, Australia in July 2008.

## Biographical Details of Directors and Senior Management (continued)

Mr. Ma has over 25 years of experience in sales, marketing, operations and business management. He was a sales at Jawbone in San Francisco, California from July 2013 to December 2015. Before that, he worked at Motorola Mobility Hong Kong Limited from March 2008 to December 2012, his last position being general manager of mobile devices in Hong Kong and Taiwan. From July 1996 to December 2007, he held senior marketing and corporate development positions in various telecommunications companies, including Hong Kong CSL Limited, Telstra International Hong Kong and SmarTone Telecommunications Limited.

Mr. Ma is the spouse of Ms. Cheung Yuet Ngo, Flora, the Administration Manager of the Group.

**Mr. Lam Kin Lun Davie (林健倫先生) (“Mr. Lam”)**, aged 63, is a non-executive Director and a member of the Audit Committee of the Company. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors’ consideration and/or approval. He was appointed as a Director on 18 August 2017, and was redesignated as a non-executive Director on 27 August 2018.

Mr. Lam graduated from Curtin University of Technology, Australia with a Bachelor of Business in Accounting in August 1993. He also received a Master of Science in Information Management from the National University of Ireland, Ireland in October 1999. Mr. Lam is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and is also a fellow of the Australian Society of Certified Practising Accountants, the Association of Chartered Certified Accountants and member of the Chartered Professional Accountants of British Columbia, Canada. He has been working in Welkinson and Associates since July 2011 and is currently the business development director. His key responsibilities include providing professional consultancy services to clients in corporate finance and retail management. He was the general manager of Macau operations in Hutchison Telecommunications (Hong Kong) Limited from April 2009 to June 2011. Prior to that, he worked in CSL Limited from January 1984 to November 2008, his last position being the director of mobile devices in the marketing development.

### Independent non-executive Directors

**Mr. Lee Kwan Ho, Vincent Marshall (李君豪先生) (“Mr. Vincent M Lee”)**, Deputy to the National People’s Congress of PRC, BBS, Officer of the Order of the Crown (Belgium), aged 64, was appointed as an independent non-executive Director on 27 August 2018. He is a member of the Nomination Committee of the Company.

Mr. Vincent M Lee obtained a Bachelor of Science in Business Administration from the University of Southern California, the United States of America in June 1978 graduating with Magna Cum Laude. He was awarded a Master of Science in Accounting and Finance by The London School of Economics and Political Science, the United Kingdom in August 1981. Mr. Vincent M Lee has been a certified public accountant registered with the California State Board of Accountancy, the United States of America since December 1980. He was admitted as a member of the American Institute of Certified Public Accountants in January 1982 and HKICPA in January 1989. He currently holds licences issued by the Securities and Futures Commission (the “SFC”) for Dealing in Securities (type 1 regulated activity), Dealing in Futures Contracts (type 2 regulated activity), Advising on Securities (type 4 regulated activity) and Asset Management (type 9 regulated activity).

## Biographical Details of Directors and Senior Management (continued)

Mr. Vincent M Lee undertook a number of public service and community activities. He has been consecutively elected as a member of the Election Committee of the Hong Kong Special Administrative Region since 2006. He is currently the Chairman of the Correctional Services Children's Education Trust Investment Advisory Board. He was the Chairperson of Sir Murray MacLehose Trust Fund Investment Advisory Committee and has been in this position from December 2012 to November 2018. From 2012 to 2016, he was a member of Correctional Services Children's Education Trust Committee. He was appointed as a non-official member of the Financial Services Development Council from January 2013 to January 2019. Mr. Vincent M Lee was a member of the Securities and Futures Appeals Tribunal from 2003 to 2009, and the SFC Academic and Accreditation Advisory Committee from 2002 to 2006.

Mr. Vincent M Lee is currently the chairman of Tung Tai Group of Companies and he has been in such position since October 2010, having previously been the managing director from August 1990 to September 2010. From 1981 to 1990, he was a senior banker at Hongkong and Shanghai Banking Corporation Limited ("HSBC") Group, Hong Kong and Canada, his last position being the manager at the overseas banking center of HSBC.

Mr. Vincent M Lee has held directorships in the following companies listed on the Main Board of the Stock Exchange:

Name of listed company and stock code	Period of service	Position
Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 112)	From March 2013 to June 2017	Non-executive Director
Guangdong Land Holdings Limited (stock code: 124)	From March 2009 to present	Independent Non-executive Director
Hong Kong Exchanges and Clearing Limited (stock code: 388)	From April 2000 to April 2017	Independent Non-executive Director

**Mr. Kwok Wai Leung, Stanley** (郭偉良先生) ("Mr. Kwok"), aged 45, was appointed as an independent non-executive Director on 27 August 2018. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Kwok obtained a Bachelor of Science from the Macquarie University, Australia in April 1998. He was further awarded a Master of Commerce in Funds Management from the University of New South Wales, Australia in July 2000.

Mr. Kwok is currently the Chairman of Skys D Limited (trading as Expandasia) and is responsible for the day-to-day operation of the consultancy business. He has been serving in this position since January 2014. He is also currently the managing partner and also a director of Mount Logan Capital Limited. From August 2009 to December 2013, Mr. Kwok served as the Chief Executive Officer of Lippo Investments Management Limited. From May 2003 to June 2009, Mr. Kwok worked at State Street Global Advisors Asia Limited, the investment and asset management arm of State Street Corporation.

## Biographical Details of Directors and Senior Management (continued)

**Mr. Shiao Hei Lok Herod (蕭喜樂先生) (“Mr. Shiao”)**, aged 55, was appointed as an independent non-executive Director on 27 August 2018. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Mr. Shiao was awarded a Diploma in Business Studies by the Hang Seng School of Commerce, Hong Kong in July 1986. He later on obtained a Postgraduate Certificate in Business Administration from the Open University of Hong Kong in December 2001, and a Postgraduate Diploma in Business Administration from the University of Wales College, Newport, the United Kingdom in October 2002. Mr. Shiao was further awarded a Master of Business Administration degree by the University of Wales, Newport (currently known as the University of South Wales), the United Kingdom, in October 2004. Mr. Shiao passed the licensing examination for Securities and Futures Intermediaries held by the Hong Kong Securities Institute in June 2011. He was a member of the Society of Registered Financial Planners for over 12 years.

Mr. Shiao has over 30 years of experience in the banking industry, having worked in four banks in Hong Kong. He has been the first vice president in the private banking department of the Bank of East Asia Limited since June 2011. Before that, he was a vice president at CitiBank, N.A., from June 2005 to June 2011, and his last position held was sales team head. He previously served as the assistant vice president in the commercial team of the marketing division of Jian Sing Bank Limited (currently known as China Construction Bank) from October 2000 to June 2005. Before that, he worked at Hua Chiao Commercial Bank Limited (currently known as Bank of China Hong Kong Limited) from July 1986 to October 2000 and his last position held was deputy manager in the corporate banking department.

**Mr. Fok Kam Chau (霍錦就先生) (“Mr. Fok”)**, aged 66, was appointed as an independent non-executive Director on 27 August 2018. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Fok was awarded a Diploma in Business Management from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in November 1980. He was later on awarded a Master of Business Administration from the University of East Asia, Macau in October 1986. He further obtained a Diploma in Financial Management from the University of New England, Australia, in April 1989 and Master of Economic Law from Peking University, the PRC in July 1999. Mr. Fok proceeded to obtain a Doctor in Business Administration degree from the Shanghai University of Finance and Economics, the PRC, in June 2016.

Mr. Fok is a founding member of the Hong Kong Independent Non-Executive Director Association. He is a certified public accountant registered with the HKICPA, and a certified tax adviser registered with the Taxation Institute of Hong Kong. He has also been a member of the Australian Society of Certified Practising Accountants and Certified General Accountants' Association of Canada (currently known as Chartered Professional Accountants of Canada) for over 25 years. Mr. Fok is currently the principal of K.C.Fok & Company, Certified Public Accountants.



## Biographical Details of Directors and Senior Management (continued)

### SENIOR MANAGEMENT

#### Chief Financial Officer and Joint Company Secretary

**Mr. Chan Him, Alfred** (陳謙先生) (“**Mr. Chan**”), aged 56, is the Chief Financial Officer and company secretary of the Company. He is mainly responsible for overseeing the finance, accounting and company secretarial matters of the Group. He joined the Group on 17 July 2017.

Mr. Chan graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), Hong Kong in November 1987 with a Professional Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chan has accumulated over 25 years of experience in audit, finance and company secretarial work gained from various senior finance related positions in an international accounting firm, private and listed companies in Hong Kong.

Mr. Chan acted as a joint company secretary of the Company for the period from 26 April 2019 to 1 June 2020. With effect from 2 June 2020, following the cessation of office of Mr. Au Yeung Yiu Chung as a joint company secretary of the Company, Mr. Chan has been acting as the sole company secretary of the Company.

#### Joint Company Secretary

**Mr. Au Yeung Yiu Chung** (歐陽耀忠先生) (“**Mr. Au Yeung**”), aged 38, was appointed as a joint company secretary of the Company on 26 April 2019. He has over 10 years of experience in the financial industry. Mr. Au Yeung graduated from The Hong Kong Polytechnic University with a Bachelor of Science in Applied Biology with Biotechnology. Mr. Au Yeung obtained a Master of Business Administration degree from the University of Wales in 2014 and a Master of Corporate Governance degree from The Open University of Hong Kong in 2017. He has been recognized by the International Association of Consultants, Valuators and Analysts as an International Certified Valuation Specialist since 2013. He is also a Certified M&A Dealmaker endorsed by the China Mergers and Acquisitions Association and the Museum of Mergers and Acquisitions in the PRC. Mr. Au Yeung has been an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since 2018.

Mr. Au Yeung was appointed as a joint company secretary of the Company on 26 April 2019 and ceased to act as a joint company secretary of the Company with effect from 2 June 2020.

#### Administrative Manager

**Ms. Cheung Yuet Ngo, Flora** (張月娥女士) (“**Ms. Cheung**”), aged 58, is the Administration Manager of the Group. She joined the Group on 1 July 2017 and is primarily responsible for overseeing the human resources and administration of the Group.

Ms. Cheung graduated from the Sheffield City Polytechnic (currently known as the Sheffield Hallam University), the United Kingdom with a Higher National Diploma in Business and Finance in July 1991. She further obtained a Postgraduate Diploma in Business Administration in the same university in June 1992.

Ms. Cheung has extensive experience in the marketing and administration field. During the period of August 1997 to August 2008, Ms. Cheung was the owner of Prime Premium & Promotions. Before that, she was the head of sales and marketing at MBF Asia Capital Corporation Holdings Limited from March to December 1996, and the marketing distribution and sales manager at Citibank, N.A. from November 1992 to March 1996.

## Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 March 2020.

### CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the year ended 31 March 2020, the Company has complied with all applicable code provisions as set out in the CG Code.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2020.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) which are of no less exacting terms than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance with the Employees Written Guidelines by the relevant employees during the year ended 31 March 2020 was noted by the Company.

### BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

## Corporate Governance Report (continued)

### Board Composition

The Board currently comprises the following Directors:

#### *Executive Directors*

Mr. Siu Muk Lung (*Chairman of the Board and Chairman of the Nomination Committee*)

Mr. Chung Chi Fai (*General Manager*)

#### *Non-executive Directors*

Mr. Ritchie Ma (*Member of the Remuneration Committee*)

Mr. Lam Kin Lun Davie (*Member of the Audit Committee*)

#### *Independent Non-executive Directors*

Mr. Lee Kwan Ho, Vincent Marshall (*Member of the Nomination Committee*)

Mr. Kwok Wai Leung, Stanley

(*Member of the Audit Committee, Remuneration Committee and Nomination Committee*)

Mr. Fok Kam Chau

(*Chairman of the Audit Committee and Member of the Remuneration Committee and Nomination Committee*)

Mr. Shiao Hei Lok Herod

(*Chairman of the Remuneration Committee and Member of the Audit Committee and Nomination Committee*)

The biographical information of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 9 to 13 of this annual report.

None of the members of the Board is related to one another.

### Chairman and Chief Executive

The positions of Chairman and Chief Executive are held by Mr. Siu Muk Lung and Mr. Chung Chi Fai respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive focuses on the Company’s business development and daily management and operations generally.

### Independent Non-executive Directors

During the year ended 31 March 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## Corporate Governance Report (continued)

### Appointment and Re-election of Directors

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles of Association of the Company (the “**Articles**”).

According to the Articles, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting (“**AGM**”) provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The retiring Directors shall be eligible for re-election.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company’s affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company’s expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

## Corporate Governance Report (continued)

### Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The training records of the Directors for the year ended 31 March 2020 are summarized as follows:

Directors	Type of Training <sup>Note</sup>
<b>Executive Directors</b>	
Mr. Siu Muk Lung	A, B
Mr. Chung Chi Fai	A, B
<b>Non-executive Directors</b>	
Mr. Ritchie Ma	A, B
Mr. Lam Kin Lun Davie	A, B
<b>Independent Non-executive Directors</b>	
Mr. Lee Kwan Ho, Vincent Marshall	A, B
Mr. Kwok Wai Leung, Stanley	B
Mr. Fok Kam Chau	A, B
Mr. Shiao Hei Lok Herod	A, 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



## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

### Audit Committee

The Audit Committee consists of one non-executive Director, namely Mr. Lam Kin Lun Davie, and three independent non-executive Directors, namely Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Fok Kam Chau is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the existing external auditor of the Company, HLB Hodgson Impey Cheng Limited.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and materials, and provide advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company.

During the year ended 31 March 2020, three Audit Committee meetings were held to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and relevant scope of works, connected transactions, and the audit arrangement under the COVID-19 pandemic.

The Audit Committee also met the external auditors without the presence of the executive Directors.

### Remuneration Committee

The Remuneration Committee consists of one non-executive Director, namely Mr. Ritchie Ma, and three independent non-executive Directors, namely Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Shiao Hei Lok Herod is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, reviewing performance-based remuneration and ensuring that no Director will determine his/her own remuneration.

During the year ended 31 March 2020, three Remuneration Committee meetings were held to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. The Remuneration Committee also recommended the remuneration of Mr. Au Yeung Yiu Chung (joint company secretary of the Company who was appointed on 26 April 2019 and ceased to act on 2 June 2020) to the Board for approval.

Details of the remuneration of the senior management by band are set out in note 12 to the consolidated financial statements for the year ended 31 March 2020.

## Corporate Governance Report (continued)

### Nomination Committee

The Nomination Committee consists of one executive Director, namely Mr. Siu Muk Lung, and four independent non-executive Directors, namely Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Siu Muk Lung is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the Chairman.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2020, three Nomination Committee meetings were held to review the structure, size and composition of the Board and to consider and recommend to the Board on the proposed appointment of an executive Director, to consider the re-election of retiring Directors and make recommendation, and to review the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

### Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

## Corporate Governance Report (continued)

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

### Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

## Corporate Governance Report (continued)

### *Nomination Process*

#### *(a) Appointment of New Director*

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

#### *(b) Re-election of Director at General Meeting*

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

During the year ended 31 March 2020, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## Corporate Governance Report (continued)

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 March 2020, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and the Written Employee Guidelines, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

### ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. The Company will schedule Board meetings to be held regularly every year in compliance with code provision A.1.1 of the CG Code. Apart from regular Board meetings, the Chairman will also hold meeting(s) with independent non-executive Directors without the presence of other Directors at least annually.

During the year ended 31 March 2020, six board meetings, three Audit Committee meetings, three Remuneration Committee meetings, three Nomination Committee meetings and one AGM were held.

The attendance record of each Director at these meetings is set out in the table below:

Name of Director	Attendance/Number of Meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Mr. Siu Muk Lung	6/6	N/A	N/A	3/3	1/1
Mr. Chung Chi Fai	6/6	N/A	N/A	N/A	1/1
Mr. Ritchie Ma	6/6	N/A	3/3	N/A	1/1
Mr. Lam Kin Lun Davie	6/6	3/3	N/A	N/A	1/1
Mr. Lee Kwan Ho, Vincent Marshall	5/6	N/A	N/A	2/3	1/1
Mr. Kwok Wai Leung, Stanley	6/6	3/3	3/3	3/3	0/1
Mr. Fok Kam Chau	6/6	3/3	3/3	3/3	1/1
Mr. Shiao Hei Lok Herod	6/6	3/3	3/3	3/3	1/1

The Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 March 2020.



## Corporate Governance Report (continued)

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has implemented various policies and procedures to ensure effective risk management in each aspect of the operations, financial reporting and recording, fund management, and compliance with applicable laws and regulations of Hong Kong. The Directors and senior management assume the overall responsibilities for overseeing the implementation of the internal control and risk management procedures and other measures throughout the Group.

The Group conducts regular review(s) at least annually to identify risks that would adversely affect the achievement of the Group's objectives, and assess and prioritise the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. The Group has engaged an independent professional advisor to perform periodic review on the risk management and internal control systems. It is intended to examine key issues in relation to the accounting practices, all material controls and business processes and to report findings and propose recommendations for improvement to the senior management of the Company. Internal audit report to be produced by the independent professional advisor will be submitted to the Audit Committee at least once a year.

The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the communications with the Board in relation to result of risk management and internal control review; significant risks, failures or weaknesses identified and their related implications; and status of compliance with the laws and regulations that are applicable to the Group. The Board considers the Group's risk management and internal control systems were effective and adequate during the year ended 31 March 2020.

The management, in coordination with division heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2020.

## Corporate Governance Report (continued)

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

### **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 41 to 45 of this annual report.

## Corporate Governance Report (continued)

### AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company in respect of audit services for the year ended 31 March 2020 amounted to HK\$700,000. The external auditor of the Company did not provide any non-audit services for the year ended 31 March 2020.

### JOINT COMPANY SECRETARIES

Mr. Chan, the Chief Financial Officer of the Company, and Mr. Au Yeung were the Company's joint company secretaries. With effect from 2 June 2020, Mr. Au Yeung ceased to act as a joint company secretary of the Company while Mr. Chan remains in office as the sole company secretary of the Company.

For the year ended 31 March 2020, each of Mr. Chan and Mr. Au Yeung has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting

According to article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## Corporate Governance Report (continued)

### Putting Forward Proposals at General Meetings

If a Shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to article 85 of the Articles, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 24th Floor, Chun Wo Commercial Centre, 23 Wing Wo Street, Sheung Wan, Hong Kong  
(For the attention of the Board of Directors)

Email: [ir@hkasiaholdings.com](mailto:ir@hkasiaholdings.com)

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents during the year ended 31 March 2020.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through AGM and other general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended 31 March 2020, the Company has not made any changes to its Articles. An up to date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.

### Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure the Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

### Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Further details of the Dividend Policy have been set out in the section headed "Report of Directors".

## Report of Directors

The Board is pleased to present to the Shareholders its report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

### PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 5 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Group is principally engaged in wholesale and retail sales of the Pre-paid Products. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the consolidated financial statements.

### BUSINESS REVIEW AND OUTLOOK

A fair review of the Group's business during the year, a discussion about the Group's future business development and an analysis of the Group's performance using financial key performance indicators are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Financial Summary" in this annual report and a discussion of the principal risks and uncertainties facing the Group is included in this section and note 34 of the consolidated financial statements. The review forms part of this report.

### PRINCIPAL RISKS AND UNCERTAINTIES

The following lists out the key risks and uncertainties facing the Group.

#### Concentration of Customers

The Group has a concentration of customers and any decrease or loss of business from these major customers could adversely and substantially affect the operations and financial conditions of the Group.

#### Concentration of Suppliers

The Group has a concentration of suppliers and any decrease or loss of business from these major suppliers could adversely and substantially affect the operations and financial conditions of the Group.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 are set out on page 46 of this annual report.

A special dividend of HK\$0.1 per ordinary share of the Company was declared by the Board on 26 March 2020 and was paid on 27 April 2020.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2020.

### DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends on 14 January 2019 and shall take into account the following factors of the Group when considering the declaration and payment of dividends:-

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any legal restrictions;
- any loan or other agreement that may enter into; and
- any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the provisions of the Articles and all applicable laws and regulations and the factors set out above. Any final dividend for a financial year will be subject to the Shareholders' approval.

### SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 March 2020 are set out in note 16 to the consolidated financial statements.



## Report of Directors (continued)

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2020 are set out in note 17 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2020 are set out in note 28 to the consolidated financial statements.

### CLOSURE OF THE REGISTER OF MEMBERS FOR AGM

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Thursday, 27 August 2020, the register of members of the Company will be closed from Monday, 24 August 2020 to Thursday, 27 August 2020, both days inclusive. In order to be eligible to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. (Hong Kong time) on Friday, 21 August 2020.

### PRE-EMPTIVE RIGHTS

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

### TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during the year ended 31 March 2020.

## Report of Directors (continued)

### RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity.

### DISTRIBUTABLE RESERVES

As at 31 March 2020, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to HK\$66,106,000.

### CHARITABLE DONATIONS

The Group did not make any charitable donations during the year ended 31 March 2020 (2019: nil).

### MANAGEMENT CONTRACTS

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

### MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 March 2020, sales to the single largest customer of the Group and the five largest customers of the Group accounted for approximately 16.7% and 37.6% respectively (2019: approximately 19.0% and 32.5% respectively) of the total sales of the year, respectively. During the year ended 31 March 2020, the Group has only two suppliers (2019: two) and the single largest supplier of the Group accounted for approximately 69.9% (2019: approximately 76.4%) of the total purchases of the year.

None of the Directors or any of their close associates or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

## Report of Directors (continued)

### DIRECTORS

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

#### EXECUTIVE DIRECTORS

Mr. Siu Muk Lung (*Chairman*)

Mr. Chung Chi Fai

#### NON-EXECUTIVE DIRECTORS

Mr. Ritchie Ma

Mr. Lam Kin Lun Davie

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kwan Ho, Vincent Marshall

Mr. Kwok Wai Leung, Stanley

Mr. Fok Kam Chau

Mr. Shiao Hei Lok Herod

Pursuant to article 84(1) of the Articles, Mr. Chung Chi Fai, Mr. Lam Kin Lun Davie and Mr. Kwok Wai Leung, Stanley will retire at the forthcoming AGM. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 13 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior notice in writing, or by payment of three months' fixed salary in lieu of notice (subject to retirement by rotation and re-election at an AGM in accordance with the Articles). Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from the Listing Date (subject to retirement by rotation and re-election in accordance with the Articles).

Apart from the foregoing, no Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment or compensation, other than statutory compensation.

## Report of Directors (continued)

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

### PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance (Cap. 622)) in force for the benefit of the Directors during the year ended 31 March 2020 and up to the date of approval of this annual report, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 March 2020, no claims were made against the Directors.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those disclosed in the section headed "Continuing Connected Transactions" and in note 31 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2020.

## Report of Directors (continued)

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

As at 31 March 2020, the Directors and the chief executive of the Company had the following interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (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 and short positions in which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code to be notified to the Company and the Stock Exchange:

### Long positions in the Shares of the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of ordinary Shares held	Approximate percentage of shareholding (Note)
Mr. Siu	Beneficial owner	283,898,000	71%

*Note:*

The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 March 2020 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 March 2020, none of the Directors or the chief executive of the Company had any interest and/or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which was required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## Report of Directors (continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 31 March 2020, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long positions in the Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares held	Approximate percentage of shareholding (Note 1)
Ms. Lee Chun Yuk (“Mrs. Siu”)	Interest of spouse (Note 2)	283,898,000	71%

Notes:

- The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 March 2020 (i.e. 400,000,000 Shares).
- Mrs. Siu is the spouse of Mr. Siu. Under the SFO, Mrs. Siu is deemed to be interested in the same number of Shares which Mr. Siu is interested in.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 31 March 2020, there was no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO.

### NON-COMPETITION UNDERTAKINGS

Mr. Siu (the “Covenantor”) has entered into a deed of non-competition (the “Deed of Non-Competition”) on 27 August 2018 in favor of the Company as more particularly described in the section headed “Relationship with the Controlling Shareholder” of the Prospectus. The Covenantor has confirmed and declared that, during the year ended 31 March 2020, he had strictly complied with the Deed of Non-competition without any breach thereof. All the independent non-executive Directors had reviewed the matters relating to the enforcement of the Deed of Non-competition and consider that the terms of the Deed of Non-competition have been complied with by the Covenantor during the year ended 31 March 2020.



## Report of Directors (continued)

### CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than those disclosed in the section headed “Continuing Connected Transactions” and in note 31 to the consolidated financial statements, no contract of significance (including those for provision of services to the Company or any of its subsidiaries by the controlling Shareholder) has been entered into between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended 31 March 2020.

### COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors or the controlling Shareholder or any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2020.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed “Share Option Scheme” below, at no time during the year ended 31 March 2020 was the Company or any of its subsidiaries a party to any arrangements that enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

### EQUITY-LINKED AGREEMENT

During the year ended 31 March 2020, other than the Share Option Scheme as set out in the section headed “Share Option Scheme” of this report, the Company has not entered into any equity-linked agreement.

## Report of Directors (continued)

### SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was conditionally adopted by the Company on 27 August 2018 (the “**Adoption Date**”) and became effective on the Listing Date. The purpose of the Share Option Scheme is to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Pursuant to the Share Option Scheme, the Board may, at its discretion, make offer of options to any employee (full-time or part-time), directors (including executive, non-executive or independent non-executive directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Group (the “**Eligible Participants**”). The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date, i.e., 40,000,000 Shares, which represents 10% of the total number of Shares in issue as at the date of this annual report, unless Shareholders’ approval has been obtained.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the total number of Shares in issue. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the Shareholders taken on a poll in general meeting.

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option. Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

## Report of Directors (continued)

Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

The subscription price for Shares in respect of any particular option shall be determined by the Board and shall be at least the highest of:

- (a) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of offer of the option; and
- (c) the nominal value of a Share.

The Share Option Scheme is valid and effective for a period of ten years commencing on the Adoption Date.

No share option has been granted or outstanding under the Share Option Scheme during the year ended 31 March 2020 and up to the date of this report.

### RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 31 to the consolidated financial statements. Save as disclosed in the sections headed "Continuing Connected Transactions", none of the related party transactions constitutes a connected transaction or continuing connected transaction which is subject to Shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2020, the Group entered into the following continuing connected transactions which were required to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules:-

	2020 HK\$'000 <i>(approximately)</i>	2019 HK\$'000 <i>(approximately)</i>
Consignment income for selling mobile phones and accessories received from Hong Kong Telecommunication Direct Selling Centre Limited ("HKT Direct Selling Centre")	<u>1,320</u>	<u>2,007</u>

## Report of Directors (continued)

Mr. Siu, being an executive Director and a substantial Shareholder, is a connected person of the Company. HKT Direct Selling Centre, a company wholly owned by Mr. Siu, is therefore an associate of Mr. Siu and a connected person of the Company. Hence, the transactions contemplated under the Consignment Agreement (as defined below) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. HKT Direct Selling Centre and Kinson Group Company Limited (“**Kinson Group**”), a wholly owned subsidiary of the Company, entered into a consignment agreement (the “**Consignment Agreement**”) on 27 August 2018 for a period of three years starting from 1 September 2018 and expiring on 31 March 2021. Pursuant to the Consignment Agreement, Kinson Group is appointed as the agent of HKT Direct Selling Centre in selling mobile phones, electronics and accessories (the “**Consigned Goods**”) and Kinson Group could obtain delivery of the Consigned Goods from HKT Direct Selling Centre from time to time on a consignment basis for the purpose of sale by Kinson Group to its customers, and HKT Direct Selling Centre shall pay Kinson Group a commission at a rate equal to 16% of the selling prices of the Consigned Goods. The principal terms of the Consignment Agreement are more particularly set out in the section headed “Connected Transactions” of the Prospectus.

All the independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The external auditor of the Company, HLB Hodgson Impey Cheng Limited (“**HLB**”), was engaged to report on the continuing connected transactions and they have provided a letter to the Board confirming that:

- (i) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (ii) nothing has come to their attention that caused them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

## Report of Directors (continued)

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

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

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years are set out on page 112 of this annual report.

### **AUDIT COMMITTEE**

The Audit Committee has discussed with the management of the Group and reviewed this report and the audited financial results of the Group for the year ended 31 March 2020, including the accounting principles and practices adopted by the Group and discussed financial related matters.

### **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted and complied with all applicable code provisions set out in the CG Code during the year ended 31 March 2020.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules during the year ended 31 March 2020 and up to the date of this report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 March 2020 and up to the date of this report.

### **USE OF PROCEEDS**

Details of the use of the proceeds from the Listing are set out on page 8 of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures in place, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. During the year ended 31 March 2020, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group. Discussions on the Group's environmental policies and performance and compliance with all relevant laws and regulations that have a significant impact on the Group will be provided in the 2020 Environmental, Social and Governance Report to be available on the websites of the Stock Exchange and the Company respectively.

## RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

The Group understands the importance of maintaining a good relationship with its business partners, including the customers, suppliers, bankers and other financial institutions. The Group believes that a healthy relationship can be built up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and our business partners.

## AUDITOR

The consolidated financial statements for the year have been audited by HLB. A resolution will be submitted to the forthcoming AGM to re-appoint HLB as auditor of the Company.

By order of the Board

**Siu Muk Lung**

*Chairman and Executive Director*

Hong Kong, 24 June 2020



# Independent Auditors' Report



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

## TO THE SHAREHOLDERS OF HK ASIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of HK Asia Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 46 to 111, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

## Independent Auditors' Report (continued)

### Key audit matters

#### *Net realisable value ("NRV") assessment of inventories*

We identified the NRV assessment of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with estimation uncertainty associated with determining the allowances of inventories.

The Group makes allowance for inventories if the NRV of inventories is lower than the cost of inventories. In determining the NRV of the Group's inventories, the management takes into consideration the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories.

As disclosed in note 20 to the consolidated financial statements, the carrying amount of the Group's inventories was HK\$68,936,000 as at 31 March 2020 and no allowance for inventories has been made for the year.

### How our audit addressed the key audit matter

Our procedures in relation to the NRV assessment of inventories included:

- Obtaining an understanding of how allowance for inventories is estimated by the management;
- Discuss with the management and evaluated the basis of identification of aged or obsolete inventories by the management and assessing the reasonableness of allowance for inventories, based on the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories;
- Testing the aging analysis of inventories, on a sample basis, to the goods received notes; and
- Checking the subsequent selling price of inventories, on a sample basis, to the sales invoices.

### Conclusion

We found that the estimates of management in relation to NRV assessment for inventories were supportable by available evidence.

## Independent Auditors' Report (continued)

### OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

## Independent Auditors' Report (continued)

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

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

Certified Public Accountants

Wong Sze Wai Basilia

Practising Certificate Number: P05806

Hong Kong, 24 June 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	7	<b>199,994</b>	195,018
Cost of sales		<u>(133,215)</u>	<u>(128,222)</u>
<b>Gross profit</b>		<b>66,779</b>	66,796
Other revenue	8	<b>1,886</b>	2,979
Selling and distribution expenses		<b>(23,503)</b>	(24,918)
Administrative expenses		<b>(13,226)</b>	(23,538)
Finance cost	9	<u><b>(145)</b></u>	<u>–</u>
<b>Profit before taxation</b>	10	<b>31,791</b>	21,319
Taxation	13	<u><b>(5,214)</b></u>	<u>(5,373)</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>26,577</b></u>	<u>15,946</u>
<b>Profit for the year attributable to owners of the Company</b>		<u><b>26,577</b></u>	<u>15,946</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>26,577</b></u>	<u>15,946</u>
<b>Earnings per share</b>			
Basic and diluted (HK cents)	14	<u><b>6.64</b></u>	<u>4.44</u>

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



## Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	1,330	1,789
Right-of-use assets	18	5,034	–
Financial assets at fair value through profit or loss	19	2,070	980
		<u>8,434</u>	<u>2,769</u>
<b>Current assets</b>			
Inventories	20	68,936	56,310
Trade receivables	21	669	1,049
Deposits, prepayments and other receivables	22	5,319	5,687
Amount due from a related party	25	306	164
Tax receivables		432	–
Cash and cash equivalents	23	102,003	87,504
		<u>177,665</u>	<u>150,714</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals and other payables	24	5,464	3,604
Contract liabilities	26	2	34
Lease liabilities	27	3,113	–
Dividend payable		40,000	–
Tax payables		–	881
		<u>48,579</u>	<u>4,519</u>
<b>Net current assets</b>		<u>129,086</u>	<u>146,195</u>
<b>Total assets less current liabilities</b>		<u>137,520</u>	<u>148,964</u>
<b>Non-current liability</b>			
Lease liabilities	27	1,979	–
<b>Net assets</b>		<u>135,541</u>	<u>148,964</u>
<b>Equity</b>			
Share capital	28	4,000	4,000
Reserves		131,541	144,964
<b>Total equity</b>		<u>135,541</u>	<u>148,964</u>

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2020.

**Mr. Siu Muk Lung**  
Director

**Mr. Chung Chi Fai**  
Director

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

# Consolidated Statement of Changes In Equity

For the year ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note a)	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2018	670	–	–	62,792	63,462
Profit and total comprehensive income for the year	–	–	–	15,946	15,946
Arising from reorganisation	(670)	–	670	–	–
Issue of shares in consideration of the acquisition of the subsidiaries	170	(170)	–	–	–
Issue of shares under capitalisation	3,000	(3,000)	–	–	–
Issue of shares under share offer	830	82,170	–	–	83,000
Transaction costs attributable to issues of shares	–	(13,444)	–	–	(13,444)
<b>At 31 March 2019 and 1 April 2019</b>	<b>4,000</b>	<b>65,556</b>	<b>670</b>	<b>78,738</b>	<b>148,964</b>
Profit and total comprehensive income for the year	–	–	–	26,577	26,577
2020 Special dividend (Note 15)	–	–	–	(40,000)	(40,000)
<b>At 31 March 2020</b>	<b>4,000</b>	<b>65,556</b>	<b>670</b>	<b>65,315</b>	<b>135,541</b>

Note:

- (a) Other reserve represents the difference between the share capital of Hong Kong Mobile Phone Limited (“**HK Mobile**”), Harvest Triple Holdings Limited (“**Harvest Triple**”), Golden Bright Holdings Limited (“**Golden Bright**”), Hong Kong Asia Telecom Limited (“**HK Asia Telecom**”), Kinson Group Company Limited (“**Kinson Group**”), Mobile Phone Direct Selling Centre Limited (“**MP Direct Selling Centre**”) and HK Asia Mobile Communications Limited (“**HK Asia Mobile**”).

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

# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Operating activities</b>			
Profit before taxation		31,791	21,319
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	10	619	642
Depreciation of right-of-use assets	10	2,810	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	8	305	(110)
Finance cost	9	145	–
<b>Operating profit before working capital changes</b>		<b>35,670</b>	21,851
Increase in inventories		(12,626)	(23,846)
Decrease in trade receivables		380	2,148
Decrease in deposits, prepayments and other receivables		368	3,394
Increase/(decrease) in accruals and other payables		1,860	(1,207)
(Decrease)/increase in contract liabilities		(32)	34
<b>Net cash generated from operations</b>		<b>25,620</b>	2,374
Income tax paid		(6,527)	(5,648)
<b>Net cash generated from/(used in) operating activities</b>		<b>19,093</b>	(3,274)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(160)	(695)
Purchase of financial assets at fair value through profit or loss		(1,395)	–
<b>Net cash used in investing activities</b>		<b>(1,555)</b>	(695)
<b>Cash flow from financing activities</b>			
Advance to a related party		(142)	(6,219)
Proceeds from issued shares under share offer, net		–	69,556
Interest elements on lease liabilities		(145)	–
Repayment of lease liabilities		(2,752)	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(3,039)</b>	63,337
<b>Net increase in cash and cash equivalents</b>		<b>14,499</b>	59,368
Cash and cash equivalents at the beginning of the year		87,504	28,136
Cash and cash equivalents at the end of the year		<b>102,003</b>	87,504
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and cash equivalents		<b>102,003</b>	87,504

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

# Notes to Consolidated Financial Statements

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 May 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (law 3 of 1961 as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 27 September 2018. The ultimate controlling party of the Company is Mr. Siu Muk Lung (“**Mr. Siu**”).

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the Company’s principal place of business is at 24/F, Chun Wo Commercial Centre, 23-29 Wing Wo Street, Sheung Wan, Hong Kong. The Company is an investment holding company. The Group is principally engaged in wholesale and retail sales of the pre-paid products (i.e. SIM card and top-up voucher) (the “**Pre-paid Products**”) in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK\$’000) except when otherwise stated.

## 2. GROUP REORGANISATION

Pursuant to the corporate reorganisation (the “**Reorganisation**”) as fully explained in the section headed “History, Reorganisation and Development” of the prospectus of the Company dated 11 September 2018 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 5 September 2018. Before and after the completion of the Reorganisation and throughout the Track Record Periods (as defined in the Prospectus) or since their respective dates of incorporation, where there is a shorter period, all the companies comprising the Group have been under common control of Mr. Siu.

The Reorganisation is merely a reorganisation of the listing business with no change in management of such business and the ultimate owner of the business. Accordingly, the consolidated financial statements has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Guideline 5 “Merger Accounting for Common Control Combinations” issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, the consolidated financial statements of the Group for the year ended 31 March 2019 have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the year under review, or since their respective dates of incorporation or acquisition, where there is a shorter period.

## Notes to Consolidated Financial Statements (continued)

### 2. GROUP REORGANISATION (CONTINUED)

Pursuant to the Reorganisation detailed below, the Company has become the holding company of the companies now comprising the Group on 5 September 2018. The Company and its subsidiaries have been under the common control of Mr. Siu throughout the reporting period, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period.

The Group has undergone the corporate reorganisation to rationalize the Group's structure in preparation for the listing which involved the following steps:

#### **Incorporation of the Company**

On 5 May 2016, the Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK\$380,000 divided into 38,000,000 shares. 1 share of the Company was allotted and issued fully paid at par to an initial subscriber upon incorporation and on the same date, the one subscriber share was transferred to Mr. Siu. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance on 3 June 2016.

#### **Incorporation of HK Asia Mobile**

On 13 June 2016, HK Asia Mobile was incorporated in the British Virgin Islands with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 share of HK Asia Mobile was issued to the Company for cash at par and therefore HK Asia Mobile was the Company's wholly-owned subsidiary.

#### **Transfer of share of China Way (Far East) Limited ("China Way") from MP Direct Selling Centre to Mr. Siu**

China Way is a company incorporated in Hong Kong with limited liability on 26 November 2004 with issued share capital of HK\$2.00 and its entire issued share capital was beneficially owned as to 50% by Mr. Siu and 50% by MP Direct Selling Centre prior to the Reorganisation.

On 9 August 2017, 1 share of China Way was transferred from MP Direct Selling Centre to Mr. Siu at a consideration of HK\$1 with reference to the net asset value of China Way. After such transfer of share in China Way, China Way ceased to be a member of the Group.

Having considered that the business and the assets held by China Way are not related to the business of the Group, China Way has been disposed of and is not included in the Group.

## 2. GROUP REORGANISATION (CONTINUED)

### Acquisition of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group by the Company

Pursuant to a sale and purchase agreement entered into among, Mr. Siu, HK Asia Mobile and the Company on 27 August 2018, HK Asia Mobile acquired:

- (a) the entire issued share capital of MP Direct Selling Centre from Mr. Siu as beneficial owner;
- (b) the entire issued share capital of HK Mobile from Mr. Siu as beneficial owner;
- (c) the entire issued share capital of Golden Bright from Mr. Siu as beneficial owner;
- (d) the entire issued share capital of Harvest Triple from Mr. Siu as beneficial owner;
- (e) the entire issued share capital of HK Asia Telecom from Mr. Siu as beneficial owner; and
- (f) the entire issued share capital of Kinson Group from Mr. Siu as beneficial owner.

In consideration of the above acquisition:

- (a) HK Asia Mobile had, at the direction of Mr. Siu, procured the Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid.
- (b) 1 ordinary share of US\$1.00 in HK Asia Mobile, credited as fully paid, was allotted and issued to the Company.

The transfer of the acquired shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group took effect on 5 September 2018.

After the above acquisition, each of HK Asia Mobile, MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group became wholly-owned subsidiaries of the Company.

## Notes to Consolidated Financial Statements (continued)

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment
HKFRS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKFRS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



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

#### HKFRS 16 Leases (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases, (“HKAS 17”) and the related interpretations.

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### *As a lessor*

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

##### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

## Notes to Consolidated Financial Statements (continued)

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

## HKFRS 16 Leases (Continued)

*Definition of a lease (Continued)**As a lessee (Continued)*

- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of leased properties in Hong Kong was determined on a portfolio basis;
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.44% to 4.77%. The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<b>At 1 April 2019 HK\$'000</b>
Operating lease commitments disclosed as at 31 March 2019	13,713
Less: practical expedient – leases with lease term ending within 12 months from date of initial application	(8,278)
Less: Effect from discounting at the incremental borrowing rate as at 1 April 2019	(358)
Lease liabilities as at 1 April 2019	5,077
Analysed as:	
Current	2,592
Non-current	2,485
	5,077

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

#### HKFRS 16 Leases (Continued)

##### *Definition of a lease (Continued)*

##### *As a lessee (Continued)*

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<b>Right-of-use assets</b> HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,077
Add: Right-of-use assets relating to deposits of operating leases recognised upon application of HKFRS 16	8
	<u>5,085</u>
By class:	
Leased properties	<u>5,085</u>

## Notes to Consolidated Financial Statements (continued)

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

## HKFRS 16 Leases (Continued)

*Definition of a lease (Continued)**As a lessee (Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously report at 31 March 2019 HK\$’000</b>	<b>Adjustments HK\$’000</b>	<b>Carrying amounts under HKFRS 16 at 1 April 2019 HK\$’000</b>
Non-current assets			
Right-of-use assets	–	5,085	5,085
Current assets			
Deposits, prepayments and other receivables	5,687	(8)	5,679
Current liabilities			
Lease liabilities – due within one year	–	2,592	2,592
Non-current liability			
Lease liabilities – due over one year	–	2,485	2,485

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

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

#### New and amendments to HKFRSS in issued but not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>1</sup>
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 3 (Amendments)	Definition of a Business <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concession <sup>5</sup>

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

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual period beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

#### Basis of preparation

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

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

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 share-based payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

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

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

The principal accounting policies are set out below.

#### *Basis of consolidation*

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of preparation (Continued)

#### *Basis of consolidation (Continued)*

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### *Merger accounting for common control combination*

The consolidated financial statements incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.



## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

#### Sale of goods

Revenue from wholesale and retail sales of pre-paid products (i.e. SIM card and voucher) operation are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 0 to 21 days upon delivery. Payment in advance is required for some contracts.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Consignment commission income

Consignment commission income from customer is recognised upon performance of sales services.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Leases

*Definition of a lease (upon application of HKFRS 16 in accordance with transitions on Note 3)*

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

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

*The Group as a lessee (upon application of HKFRS 16 in accordance with transitions on Note 3)*

Allocation of consideration to components of a contract

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

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

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

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Leases (Continued)

##### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions on Note 3) (Continued)*

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions on Note 3) (Continued)*

##### *Refundable rental deposits*

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

##### *Lease liabilities*

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

The lease payments include:

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

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

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Leases (Continued)

##### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions on Note 3) (Continued)*

##### *Lease liabilities (Continued)*

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

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

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

##### *Lease modifications*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee (prior adoption of HKFRS 16 as at 1 April 2019)*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Borrowing costs

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

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

### Taxation

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

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit/loss before tax 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment, are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

The estimated useful lives for the current and comparative periods are as follows:

Furniture and office equipment	20% per annum
Leasehold improvement	20% per annum
Motor vehicles	20% per annum

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighting average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Provision

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

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

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

### Dividend

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments

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

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

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

#### *Financial assets*

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Classification and measurement of financial assets at amortised cost (Continued)*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

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

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

#### *Amortised cost and interest income*

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

#### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other revenue and other income” line item.

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

##### *Impairment of financial assets*

The Group performs impairments assessment under expected credit losses (“ECL”) model on financial assets (including trade receivables, other receivables, amount due from a related party and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### *Significant increase in credit risk*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

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

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

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

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

##### *Definition of default*

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;



## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

##### *Impairment of financial assets (Continued)*

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

##### *Write-off policy*

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

##### Measurement and recognition of ECL

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables, are each assessed as a separate group).
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

#### *Financial liabilities and equity instruments*

##### Classification as debt or equity

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

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

##### *Impairment of financial assets (Continued)*

##### *Equity instruments*

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

##### *Financial liabilities*

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

##### *Financial liabilities at amortised cost*

Financial liabilities (including accruals and other payables, lease liabilities and dividend payable) are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Retirement benefit costs

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

### Equity-settled share-based payment transactions

#### *Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

#### *Share options granted to suppliers/consultants*

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

## Notes to Consolidated Financial Statements (continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period.

#### Related parties transactions

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

- (i) A person or a close member of that person's family is related to the Group if that person:
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of the key management personnel of the Group or of a parent of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
  - (b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member;
  - (c) both entities are joint ventures of the same third party;

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties transactions (Continued)

- (ii) An entity is related to the Group if any of the following conditions applies: (Continued)
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
  - (f) the entity is controlled or jointly controlled by a person identified in(i);
  - (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (h) The entity, or any member of a group of which is a part, provides key management personnel services to the Group and Group's parent.

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

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

### Segment reporting

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

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

## Notes to Consolidated Financial Statements (continued)

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The 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 are discussed below.

#### (a) Estimated useful lives of property, plant and equipment

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

#### (b) Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

#### (c) Income tax and deferred taxation

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.



## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and those amount is reasonable estimate, a corresponding amount of provision is recognised in the financial statement. However, no provision is recognised for costs that need to be incurred to operate in the future.

### (e) Impairment of right-of-use assets

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. 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.

As at 31 March 2020, the carrying amounts of right-of-use assets amounted to HK\$5,034,000, no impairment losses were recognised during the year ended 31 March 2020. Details of the right-of-use assets are disclosed in note 18.

### (f) Determining the Lease Term

As explained in note 3, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## Notes to Consolidated Financial Statements (continued)

## 6. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the years ended 31 March 2020 and 2019, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial results of the Group as a whole reported under HKFRSs.

The Group currently has one operating segment which is revenue from sale of the Pre-paid Products (i.e. SIM Cards and top-up vouchers). Accordingly, the Group does not have separate reportable segments.

### Geographical information

As all the Group's operations and non-current assets are located in Hong Kong, no geographical analysis is presented.

### Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the years ended 31 March 2020 and 2019 are as follow:

	2020 HK\$'000	2019 HK\$'000
Customer B	31,109	37,124
Retailer A	33,399	<sup>1</sup>
	<hr/>	<hr/>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## Notes to Consolidated Financial Statements (continued)

**7. REVENUE**

Revenue, which is also the Group's turnover, represents the income generated by sale of Pre-paid Products during the year.

All of the Group's revenue from contracts with customers is generated in Hong Kong based on where goods are sold. All revenue contracts are for a period of one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Please refer to note 4 for details of revenue recognition.

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Sales of Pre-paid Products recognised at point in time	<b>199,994</b>	195,018

**8. OTHER REVENUE**

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Promotion income	<b>790</b>	780
Consignment income	<b>1,320</b>	2,007
Sundry income	<b>81</b>	82
Fair value (loss)/gain on financial assets at fair value through profit or loss	<b>(305)</b>	110
	<b>1,886</b>	2,979

**9. FINANCE COST**

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Interest on lease liabilities	<b>145</b>	–

## Notes to Consolidated Financial Statements (continued)

## 10. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Auditors' remuneration	700	1,000
Cost of inventories recognised as an expense	133,215	128,222
Depreciation of property, plant and equipment	619	642
Depreciation of right-of-use assets	2,810	–
Employee benefit expenses (including Directors' emoluments) (Note 11)	14,180	11,246
Minimum lease payment under operating lease in respect of premises	–	12,513
Expenses relating to short-term leases	9,785	–
Listing expenses	–	12,461
Advertising and promotion expenses	3,344	5,653
	<b>3,344</b>	<b>5,653</b>

## 11. EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2020 HK\$'000	2019 HK\$'000
Directors' fees	1,080	552
Salaries, allowance and benefits in kind	12,141	10,045
Retirement scheme contributions	959	649
	<b>14,180</b>	<b>11,246</b>

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

	2020 HK\$'000	2019 HK\$'000
Directors' fee	1,080	552
Salaries and other benefits in kind	1,084	765
Retirement scheme contributions	36	27
	<b>2,200</b>	<b>1,344</b>

The remuneration of each director for the years ended 31 March 2020 and 2019 are set out below:

	Directors' fee HK\$'000	Salaries and other benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2020</b>				
<i>Executive directors</i>				
Mr. Siu	–	600	18	618
Mr. Chung Chi Fai	–	484	18	502
<i>Non-executive directors</i>				
Mr. Ritchie Ma	180	–	–	180
Mr. Lam Kin Lun Davie	180	–	–	180
<i>Independent non-executive directors</i>				
Mr. Lee Kwan Ho, Vincent Marshall	180	–	–	180
Mr. Kwok Wai Leung, Stanley	180	–	–	180
Mr. Fok Kam Chau	180	–	–	180
Mr. Shiao Hei Lok Herod	180	–	–	180
Total emoluments	<b>1,080</b>	<b>1,084</b>	<b>36</b>	<b>2,200</b>

## Notes to Consolidated Financial Statements (continued)

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

## (a) Directors' emoluments (Continued)

	Directors' fee HK\$'000	Salaries and other benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2019</b>				
<i>Executive directors</i>				
Mr. Siu (Note a)	–	307	9	316
Mr. Chung Chi Fai (Note b)	–	458	18	476
<i>Non-executive directors</i>				
Mr. Ritchie Ma (Note c)	92	–	–	92
Mr. Lam Kin Lun Davie (Note c)	92	–	–	92
<i>Independent non-executive directors</i>				
Mr. Lee Kwan Ho, Vincent Marshall (Note d)	92	–	–	92
Mr. Kwok Wai Leung, Stanley (Note d)	92	–	–	92
Mr. Fok Kam Chau (Note d)	92	–	–	92
Mr. Shiao Hei Lok Herod (Note d)	92	–	–	92
Total emoluments	<u>552</u>	<u>765</u>	<u>27</u>	<u>1,344</u>

## Notes:

- (a) Mr. Siu was appointed as a director of the Company on 5 May 2016 and was redesignated as an executive director of the Company on 27 August 2018.
- (b) Mr. Chung Chi Fai was appointed as a director of the Company on 18 August 2017 and was redesignated as an executive director of the Company on 27 August 2018.
- (c) Mr. Ritchie Ma and Mr. Lam Kin Lun Davie were appointed as non-executive directors of the Company on 18 August 2017 and were redesignated as non-executive directors of the Company on 27 August 2018.
- (d) Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod were appointed as independent non-executive directors of the Company on 27 August 2018.

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

### (b) Five highest paid individuals

The five highest paid employees during the year ended 31 March 2020 included two (2019: two) directors of the Company, details of whose emoluments are set out above in Note 12(a). Details of the emoluments for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	2,645	1,949
Retirement benefit schemes contributions	54	36
	<u>2,699</u>	<u>1,985</u>

The number of the highest paid individuals who are not the Directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2020	2019
Nil to HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
	<u>3</u>	<u>3</u>



## Notes to Consolidated Financial Statements (continued)

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

## (c) Senior management of the Group

The emoluments of senior management are within the following band:

	No. of senior management	
	2020	2019
Nil to HK\$1,000,000	4	3
HK\$1,000,001 – HK\$1,500,000	1	1
	<b>5</b>	<b>4</b>

During the year ended 31 March 2020, no emoluments were paid by the Group to the above highest paid individuals and the directors as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2019: Nil).

None of the directors, highest paid individuals and senior management personnel waived or agreed to waive any emoluments during the years ended 31 March 2020 and 2019.

## 13. TAXATION

	2020 HK\$'000	2019 HK\$'000
The taxation charge comprises:		
Hong Kong Profits tax		
– Current year	5,141	5,373
– Under provision in prior years	73	–
	<b>5,214</b>	<b>5,373</b>

## Notes to Consolidated Financial Statements (continued)

## 13. TAXATION (CONTINUED)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

A reconciliation of the income tax expense applicable to profit before tax at the statutory tax rates to the tax expenses is as follows:

	2020 HK\$'000	%	2019 HK\$'000	%
Profit before taxation	<b>31,791</b>		21,319	
Tax at applicable income tax rate	<b>5,246</b>	<b>16.5</b>	3,353	15.7
Tax effect of expenses not deductible for tax purpose	<b>125</b>	<b>0.4</b>	2,080	9.8
Under provision in respect of prior years	<b>73</b>	<b>0.2</b>	–	–
Statutory tax concession	<b>(230)</b>	<b>(0.7)</b>	(60)	(0.3)
Taxation for the year	<b>5,214</b>	<b>16.4</b>	5,373	25.2

## 14. EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Earnings:		
Earning for the purpose of calculation of calculation basic earnings per share		
– Profit for the year attributable to owners of the Company	<b>26,577</b>	15,946
	2020 '000	2019 '000
Number of shares:		
Weighted average number of ordinary shares in issue	<b>400,000</b>	359,296

## Notes to Consolidated Financial Statements (continued)

## 14. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share for the years ended 31 March 2020 and 2019 were the same as the basic earnings per share as there were no potential dilutive ordinary shares existing during the reporting period.

## 15. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Special dividend of HK\$0.1 per ordinary share	<u>40,000</u>	<u>–</u>

A special dividend of HK\$0.1 per ordinary share of the Company was declared by the Board on 26 March 2020 and was paid on 27 April 2020.

The Board did not recommend the payment for final dividend for the year ended 31 March 2020.

## 16. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Particulars of issued share capital	Percentage of interest held
HK Asia Mobile	Limited liability company incorporated on 13 June 2016, the BVI	Investment holding	Ordinary share US\$1	100% (direct)
HK Mobile	Limited liability company incorporated on 4 March 2009, Hong Kong	Wholesale and retail sales of the Pre-paid Products	Ordinary share HK\$20,000	100% (indirect)
HK Asia Telecom	Limited liability company incorporated on 6 September 2010, Hong Kong	Retail sales of the Pre-paid Products	Ordinary share HK\$1	100% (indirect)
Kinson Group	Limited liability company incorporated on 6 February 2014, Hong Kong	Retail sales of the Pre-paid Products and consignment sales	Ordinary share HK\$1	100% (indirect)

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

## Notes to Consolidated Financial Statements (continued)

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>				
As at 1 April 2018	2,491	3,912	333	6,736
Additions	<u>388</u>	<u>307</u>	<u>–</u>	<u>695</u>
As at 31 March 2019 and 1 April 2019	2,879	4,219	333	7,431
Additions	<u>–</u>	<u>160</u>	<u>–</u>	<u>160</u>
<b>As at 31 March 2020</b>	<b><u>2,879</u></b>	<b><u>4,379</u></b>	<b><u>333</u></b>	<b><u>7,591</u></b>
<b>Accumulated depreciation</b>				
As at 1 April 2018	1,726	2,941	333	5,000
Charge for the year	<u>326</u>	<u>316</u>	<u>–</u>	<u>642</u>
As at 31 March 2019 and 1 April 2019	2,052	3,257	333	5,642
Charge for the year	<u>310</u>	<u>309</u>	<u>–</u>	<u>619</u>
<b>As at 31 March 2020</b>	<b><u>2,362</u></b>	<b><u>3,566</u></b>	<b><u>333</u></b>	<b><u>6,261</u></b>
<b>Net book values</b>				
<b>As at 31 March 2020</b>	<b><u>517</u></b>	<b><u>813</u></b>	<b><u>–</u></b>	<b><u>1,330</u></b>
As at 31 March 2019	<u>827</u>	<u>962</u>	<u>–</u>	<u>1,789</u>

## Notes to Consolidated Financial Statements (continued)

## 18. RIGHT-OF-USE ASSETS

	<b>Leased properties</b> HK\$'000
<b>Cost</b>	
At 1 April 2019	5,085
Additions	<u>2,759</u>
At 31 March 2020	<u>7,844</u>
<b>Accumulated depreciation and impairment losses</b>	
At 1 April 2019	–
Charge provided for the year	<u>2,810</u>
At 31 March 2020	<u>2,810</u>
<b>Carrying amounts</b>	
<b>At 31 March 2020</b>	<u>5,034</u>

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases office and retail stores for its operation. Lease contracts are entered into for fixed term of two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## Notes to Consolidated Financial Statements (continued)

**19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Financial assets at fair value through profit or loss – Club debentures	<b>2,070</b>	980

**20. INVENTORIES**

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Pre-paid Products	<b>68,936</b>	56,310

**21. TRADE RECEIVABLES**

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Trade receivables	<b>669</b>	1,049

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 21 days to its customers.

## Notes to Consolidated Financial Statements (continued)

## 21. TRADE RECEIVABLES (CONTINUED)

The following table sets forth the ageing analysis of trade receivables, based on invoice date, as at the dates indicated:

	2020 HK\$'000	2019 HK\$'000
0 – 10 days	458	718
Over 10 days	211	331
	<u>669</u>	<u>1,049</u>

As at 31 March 2020 and 2019, the Group's policy for allowance for expected credit losses on trade receivable is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balance.

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

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Deposits	4,804	3,916
Prepayments	470	1,460
Other receivables	45	311
	<u>5,319</u>	<u>5,687</u>



## Notes to Consolidated Financial Statements (continued)

## 23. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash at banks		
Cash and cash equivalents	<u>102,003</u>	<u>87,504</u>

## Notes:

- (a) The cash and cash equivalents are denominated in HK\$ as at 31 March 2020 and 2019.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 24. ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Accruals	3,420	2,060
Provision for severance payments ( <i>note i</i> )	1,979	1,479
Other payables	<u>65</u>	<u>65</u>
	<u>5,464</u>	<u>3,604</u>

## Note (i):

The provision for severance payments is determined with reference to the employees' remuneration and their years of services and the movements of the provision for severance payments during the year are as follows:

	Severance payments HK\$'000
At 31 March 2018 and 1 April 2018	1,244
Provision for the year	<u>235</u>
As at 31 March 2019 and 1 April 2019	1,479
Provision for the year	<u>500</u>
As at 31 March 2020	<u>1,979</u>

## Notes to Consolidated Financial Statements (continued)

## 25. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party was in trade nature, unsecured, interest free and repayable on demand.

	2020 HK\$'000	2019 HK\$'000
Related party: Hong Kong Telecommunication Direct Selling Centre Limited ("HKT Direct Selling Centre") (note)	306	164

Note: HKT Direct Selling Centre is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.

## 26. CONTRACT LIABILITIES

	HK\$'000
At 1 April 2018 (restated)	937
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(937)
Increase in contract liabilities as a result of consideration received from customers during the year	34
At 31 March 2019 and 1 April 2019	34
Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(34)
Increase in contract liabilities as a result of consideration received from customers during the year	2
At 31 March 2020	2

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration. The contract liabilities would be recognised as revenue within one year. The Group recognises revenue when "control" of goods and services is transferred to the customers.

## Notes to Consolidated Financial Statements (continued)

## 27. LEASE LIABILITIES

At 31 March 2020, the Group had lease liabilities repayable as follows:

	2020	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	<u>3,113</u>	<u>3,262</u>
After 1 year but within 2 years	<u>1,979</u>	<u>2,015</u>
	<u>5,092</u>	5,277
Less: total future interest expenses		<u>(185)</u>
Present value of lease liabilities		<u>5,092</u>
Presented as:		
Non-current		1,979
Current		<u>3,113</u>
		<u>5,092</u>

The Group entered into lease arrangements with independent third parties in relation to certain properties. The lease terms ranged from 2-3 years (2019: 2-3 years). Interest rates of underlying lease liabilities at the date of inception is 3.44% to 4.77% per annum as at 31 March 2020, respectively.

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. Further details on the impact of the transition to HKFRS 16 are set out in note 3 to the consolidated financial statements.

## Notes to Consolidated Financial Statements (continued)

## 28. SHARE CAPITAL

	As at 31 March 2020		As at 31 March 2019	
	number of shares	nominal value HK\$'000	number of shares	nominal value HK\$'000
<b>Authorised:</b>				
At beginning year of nominal value of HK\$0.01 each (Note (a))	10,000,000,000	100,000	38,000,000	380
Increase in authorised share capital (Note (b))	-	-	9,962,000,000	99,620
At end of year	10,000,000,000	100,000	10,000,000,000	100,000
<b>Issued and fully paid:</b>				
At beginning year of nominal value of HK\$0.01 each	400,000,000	4,000	1	-*
Issue of shares in consideration of the acquisition of the subsidiaries (Note (c))	-	-	17,000,000	170
Issue of shares under capitalization issue (Note (d))	-	-	299,999,999	3,000
Issue of shares under Share Offer (Note (e))	-	-	83,000,000	830
At end of year	400,000,000	4,000	400,000,000	4,000

## Notes:

- \* The amount of issued and fully paid share capital was HK\$0.01.
- (a) The Company was incorporated and registered as an exempted company in the Cayman Islands on 5 May 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of nominal value of HK\$0.01 each.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares of HK\$0.01 each.
- (c) On 27 August 2018, in consideration of the acquisition by HK Asia Mobile of all the issued shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group, an aggregate of 17,000,000 shares were allotted and issued, credited as fully paid, to Mr. Siu.
- (d) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, conditional upon the share premium account of the Company being credited with the proceeds from the new issue, the Directors were authorised to capitalise a sum of HK\$2,999,999.99 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 299,999,999 shares, such shares to be allotted and issued, credited as fully paid at par, to the holders of shares whose names appear on the register of members of the Company at the close of business on 27 August 2018, or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fraction of shares) to their respective shareholdings in the Company.
- (e) On 27 September 2018, the Company issued 83,000,000 new shares at HK\$1.0 each in relation to the Share Offer. The premium on the issue of shares, amounting to approximately HK\$68,726,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

## 29. SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) was conditionally adopted by the Company on 27 August 2018 (the “Adoption Date”) and became effective on the Listing Date. The purpose of the Share Option Scheme is to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Pursuant to the Share Option Scheme, the Board may, at its discretion, make offer of options to any employee (full-time or part-time), directors (including executive, non-executive or independent non-executive directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Group (the “Eligible Participants”). The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date, i.e. 40,000,000 Shares, which represents 10% of the total number of Shares in issue as at the date of this annual report unless Shareholders’ approval has been obtained.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the total number of Shares in issue. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the Shareholders taken on a poll in general meeting.

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option. Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

## Notes to Consolidated Financial Statements (continued)

### 29. SHARE OPTION SCHEME (CONTINUED)

The subscription price for Shares in respect of any particular option shall be determined by the Board and shall be at least the highest of:—

- (a) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of offer of the option; and
- (c) the nominal value of a Share.

The Share Option Scheme is valid and effective for a period of ten years commencing on 27 August 2018 (being the Adoption Date).

During the years ended 31 March 2020 and 2019, the Company did not grant any share option under the share option scheme.

### 30. RETIREMENT BENEFIT PLANS

#### Defined contribution scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (the “**mandatory contributions**”). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 11 to the consolidated financial statements.

## 31. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Name of related parties and relationship with the Group

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Name	Relationship with the Group
Mr. Siu	Ultimate owner of the Company
Lung Shun Holdings Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
Hung Sang Group Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
HKT Direct Selling Centre	Wholly owned by Mr. Siu

### (b) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the reporting period is set out in note 12 to the consolidated financial statements.



## Notes to Consolidated Financial Statements (continued)

## 31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

## (c) Significant transactions with related party

Other than the transactions and balances disclosed elsewhere in the consolidated financial statement, the Group had the following transactions with related parties during the reporting period:

	2020 HK\$'000	2019 HK\$'000
Recurring:		
Rental expense paid to related parties: <i>note (i)</i>		
– Lung Shun Holdings Ltd	936	836
– Hung Sang Group Ltd	804	769
Consignment income received from HKT Direct Selling Centre	<u>1,320</u>	<u>2,007</u>

(i) During the years ended 31 March 2019 and 2020, the rental expenses paid to related parties, Lung Shun Holdings Ltd and Hung Sang Group Ltd were fair and reasonable.

## 32. OPERATING LEASE COMMITMENTS

## The Group as lessee

The Group has future aggregate minimum lease payables under non-cancellable operating leases in respect of office premises and retail stores which fall due as follow:

	2019 HK\$'000
Within one year	11,166
In the second to third year	<u>2,547</u>
	<u>13,713</u>

Operating lease payments represent rentals payable by the Group for certain office premises and retail shops. Leases are negotiated for terms of 1 to 3 years.

## Notes to Consolidated Financial Statements (continued)

## 33. CAPITAL COMMITMENTS

As at 31 March 2020, the Group had capital commitments of approximately HK\$300,000 (31 March 2019: HK\$300,000) in respect of acquisition of property, plant and equipment.

## 34. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close cooperation with the board of directors. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimizing its exposure to financial markets.

## (a) Categories of financial assets and liabilities

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at fair value through profit or loss	2,070	980
At amortised costs		
– Trade receivables	669	1,049
– Deposits and other receivables	4,849	4,227
– Amount due from a related party	306	164
– Cash and cash equivalents	102,003	87,504
	<b>109,897</b>	<b>93,924</b>
Financial liabilities		
Amortised cost:		
– Accrual and other payables	3,485	2,125
– Lease liabilities	5,092	–
– Dividend payable	40,000	–
	<b>48,577</b>	<b>2,125</b>

## Notes to Consolidated Financial Statements (continued)

### 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank and cash balance. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate bank and cash balance.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of bank balance and cash is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

#### (c) Credit risk

In respect of trade and other receivables, 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. Normally, the Group requests the customers to pay sales deposits to reduce the credit risk exposures.

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

The Group has concentration risk on trade receivables from Customer B, the major customer of the Group for the year ended 31 March 2020 and 2019. During the year ended 31 March 2020, 89% of the trade receivables were from Customer B (2019: 100%). Customer B has no significant defaults in the past. The Group's historical experience in collection of trade receivables falls within the recorded allowances and the directors are of the opinion that no provision for uncollectible receivables is required.

The credit risk for cash and bank balances is considered minimal as such amounts are placed in banks with good credit ratings assigned by international credit rating agencies.

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

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk

The management of the Group has built a liquidity risk management framework for managing the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining bank facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

	Weight average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>Non-derivative financial liabilities</b>						
<b>As at 31 March 2020</b>						
Accrual and other payables	-	3,485	-	-	3,485	3,485
Lease liabilities	3.6	3,262	2,015	-	5,277	5,092
Dividend payable	-	40,000	-	-	40,000	40,000
		<u>46,747</u>	<u>2,015</u>	<u>-</u>	<u>48,762</u>	<u>48,577</u>
<b>As at 31 March 2019</b>						
Other payables	-	65	-	-	65	65

### (e) Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used).

## Notes to Consolidated Financial Statements (continued)

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Fair value measurements (Continued)

The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value at 31 March 2019 HK\$'000	Fair value at 31 March 2020 HK\$'000	Fair value hierarchy	Valuation technique and key input(s)
Club debentures	980	2,070	Level 2	Market approach – reference to saleable price of club debentures of similar nature

There was no transfer between Level 1 and Level 2 during the years ended 31 March 2020 and 2019.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The above table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's combined statements of financial position approximate of their fair values.

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) 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 flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities HK\$'000	(Advance to)/ repayment from a related party HK\$'000	Total HK\$'000
<b>At 1 April 2018</b>	–	6,055	6,055
Financing cash outflows	–	(6,219)	(6,219)
<b>At 31 March 2019 and 1 April 2019</b>	–	(164)	(164)
Upon 1 April 2019 (HKFRS 16 adoption)	5,077	–	5,077
Accrued Interest	145	–	145
Interest elements on lease liabilities	(145)	–	(145)
Additional lease liabilities	2,767	–	2,767
Financing cash outflow	(2,752)	(142)	(2,894)
<b>At 31 March 2020</b>	5,092	(306)	4,786

## Notes to Consolidated Financial Statements (continued)

## 35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

## (a) Statement of Financial Position

	2020 HK\$'000	2019 HK\$'000
<b>Current assets</b>		
Deposits and prepayments	26	26
Amounts due from subsidiaries	74,829	–
Cash and cash equivalents	36,324	57,105
	<u>111,179</u>	<u>57,131</u>
<b>Current liabilities</b>		
Other payables	1,073	1,289
Amounts due to subsidiaries	–	10,647
Dividend payable	40,000	–
	<u>41,073</u>	<u>11,936</u>
<b>Net current assets</b>	<u>70,106</u>	<u>45,195</u>
<b>Net assets</b>	<u>70,106</u>	<u>45,195</u>
<b>Equity</b>		
Share capital	4,000	4,000
Reserves	66,106	41,195
<b>Total equity</b>	<u>70,106</u>	<u>45,195</u>

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2020 and signed on its behalf by:

**Mr. Siu Muk Lung**  
Director

**Mr. Chung Chi Fai**  
Director

## Notes to Consolidated Financial Statements (continued)

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

## (b) Reserves of the Company

	Share premium HK\$'000	Retained profit/ (Accumulated losses) HK\$'000	Total HK\$'000
<b>At 1 April 2018</b>	–	(11,961)	(11,961)
Loss and total comprehensive expense for the year	–	(12,400)	(12,400)
Issue of shares in consideration of the acquisition of the subsidiaries	(170)	–	(170)
Issue of shares under capitalisation	(3,000)	–	(3,000)
Issue of shares under share offer	82,170	–	82,170
Transaction costs attributable to issues of shares	(13,444)	–	(13,444)
<b>At 31 March 2019 and 1 April 2019</b>	65,556	(24,361)	41,195
Profit and total comprehensive income for the year	–	64,911	64,911
2020 Special dividend	–	(40,000)	(40,000)
<b>At 31 March 2020</b>	65,556	550	66,106

Note:

- i) At 31 March 2020, the Company had HK\$66,106,000 (2019: HK\$41,195,000) distribution reserve available for distribution to the shareholders.



## Notes to Consolidated Financial Statements (continued)

### 36. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2020.

The Group's net debts to equity ratio at the reporting period was as follows:

	2020 HK\$'000	2019 HK\$'000
Net debts ( <i>note</i> )	—	—
Total equity	135,541	148,964
Net debts to equity ratio	N/A	N/A

*Note:* Net debts are defined to include bank overdraft net of cash and cash equivalents.

### 37. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented in Hong Kong. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this annual report, the directors of the Company were not aware of any material adverse impact on the consolidated financial statements of the Group.

### 38. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019. Under the transition methods, comparative information is not restated.

### 39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 June 2020.

## Financial Summary

The following is a summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the Prospectus and the published audited financial statements of the Group. This summary does not form part of the audited financial statements.

### RESULTS

	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$' 000	2016 HK\$' 000
REVENUE	<b>199,994</b>	195,018	193,244	191,981	200,316
GROSS PROFIT	<b>66,779</b>	66,796	61,823	55,817	52,939
PROFIT BEFORE TAXATION	<b>31,791</b>	21,319	25,012	32,228	26,612
TAXATION	<b>(5,214)</b>	(5,373)	(5,619)	(5,916)	(5,069)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	<b>26,577</b>	15,946	19,393	26,312	21,543
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	<b>–</b>	–	–	–	1,468

### ASSETS AND LIABILITIES

	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$' 000	2016 HK\$' 000
NON-CURRENT ASSETS	<b>8,434</b>	2,769	2,606	1,495	1,695
CURRENT ASSETS	<b>177,665</b>	150,714	72,878	78,341	69,133
TOTAL ASSETS	<b>186,099</b>	153,483	75,484	79,836	70,828
CURRENT LIABILITIES	<b>48,579</b>	4,519	12,022	5,857	23,141
NON-CURRENT LIABILITY	<b>1,979</b>	–	–	–	–
TOTAL LIABILITIES	<b>50,558</b>	4,519	12,022	5,857	23,141
NET ASSETS	<b>135,541</b>	148,964	63,462	73,979	47,687