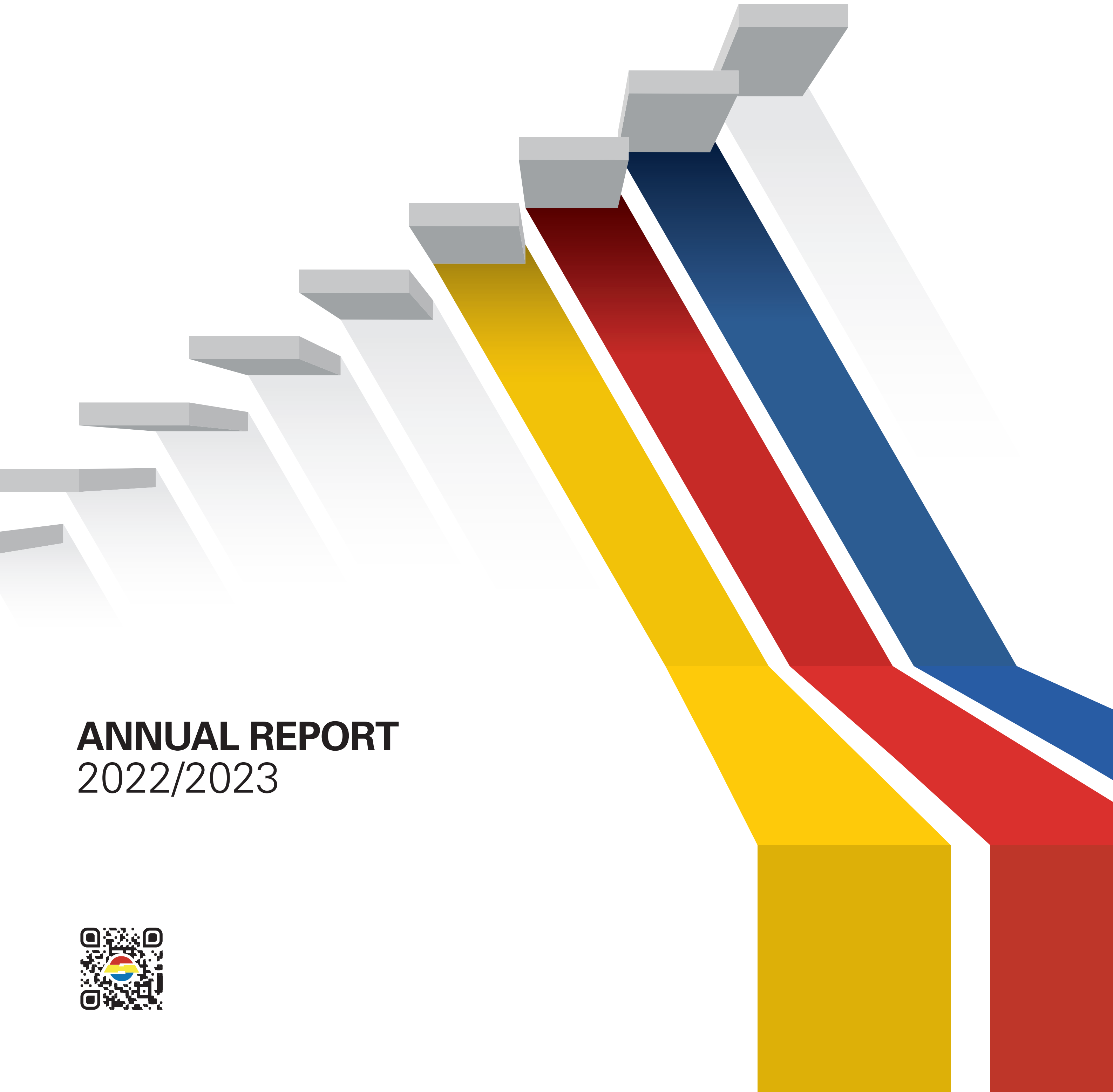
Huasheng International Holding Limited
華盛國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)



ANNUAL REPORT
2022/2023

Contents

Corporate Information

Executive Directors
Mr. Wong Wai Sing *(Chairman and Chief Executive Officer)*
Mr. Chan Kin Lung
Mr. Wong Jeffrey

Independent Non-executive Directors
Mr. Kwok Kam Tim
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Audit Committee Members
Mr. Kwok Kam Tim *(Chairman)*
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Remuneration Committee Members
Mr. Kwok Kam Tim *(Chairman)*
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Nomination Committee Members
Mr. Tso Ping Cheong, Brian *(Chairman)*
Mr. Kwok Kam Tim
Mr. Li Kwok Tai, James

Authorised Representatives
Mr. Wong Jeffrey
Ms. Chan Chiu Wing

Company Secretary
Ms. Chan Chiu Wing

Listing Information
Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 1323

Company's Website
www.huashengih.com

Registered Office
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Suites 2301-03, 23/F.
Far East Consortium Building
No. 121 Des Voeux Road Central
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands
Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

Principal Banker
Bank of East Asia, Limited

Auditor
ZHONGHUI ANDA CPA Limited
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Huasheng International Holding Limited (the "Company"), I am pleased to present to you the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2023 (the "Year").

Our Group continued to experience a difficult year amid (i) the aftermath of the outbreak of COVID-19; (ii) the credit crisis of certain property developer in the People's Republic of China (the "PRC"); and (iii) the crawling China's infrastructure development. The Group's revenue for the Year amounted to approximately HK$660.4 million, representing a decrease of approximately 17.9% as compared to that of the year ended 31 March 2022. Such decrease in revenue led to a loss for the Year of approximately HK$54.8 million as compared to a profit of approximately HK$31.3 million for the year ended 31 March 2022. During the Year, the Group recorded revenue generated from the concrete business of approximately HK$633.6 million, represented a drop of approximately 17.7% as compared to that of the year ended 31 March 2022, mainly due to a short-term suspension of concrete production between September and October 2022 as a result of the outbreak of COVID-19 in Haikou City. On top of that, our Group also suffered from the stagnated global economy under the uncertainties brought by Sino-US tension and the Russo-Ukrainian war and downturned property development in mainland China, which led to (i) an increase in impairment loss on trade, retention and other receivables in our concrete business; (ii) recognition of impairment loss on loan receivables; and (iii) recognition of impairment loss on goodwill on our concrete business and money lending business.

In response to the tough and challenging environment, we have reviewed our existing businesses and streamlined our resources to businesses or investments that could bring value to our Group in the future. In view of the highly competitive environment and continuous increase in operating costs and default risk, the Group continued scaling down the loan portfolio in money lending business. In September 2022, we disposed of our household consumables business in the United Kingdom in view of the soaring inflation and the marked reduction in confidence in domestic consumable market. Part of the proceeds from the disposal have been used in financing the investment in the zero-emission vehicles manufacturing business in January 2023. With a growing number of governments around the world setting committed plans to reach carbon neutrality, the global zero-emission vehicle manufacturing industry has a great potential to secure a substantial growth in future. By tapping into the industry, we aim to attain value appreciation in investment and better our financial performance.

Despite the unprecedent global change and volatile property market during the Year, our concrete business continued to provide a strong income stream for the Group. Although it has shown a less than satisfactory performance for the Year, we are still confident that our concrete business could rebound along with the recovery of local economy in the PRC from the outbreak of COVID-19 in the future. It is expected that the PRC Government will continue to maintain its position and introduce policies in supporting balanced real estate and infrastructure development in coming years, which in turn, could benefit our Group's concrete business in the long run. Furthermore, with the master plan released by the PRC government on 1 June 2020 setting out policies to support the construction of the Hainan Free Trade Port and has aimed building Hainan Province into a globally significant free trade port by 2050, it is expected that Hainan Province will become one of the major provinces in the PRC and our Group could benefit from the opportunities along with the growth in the economy of Hainan Province in the foreseeable future.

Chairman's Statement

Looking forward, we would continuously search for investments in the market to diversify our business and financial risks. The Group will continue to deploy its best endeavor to maximise return for shareholders and business growth by regularly reviewing performance of our businesses and investments. We are looking to the future with confidence and are excited about the opportunities and challenges that lie ahead. We are committed to continue to explore new markets and opportunities with an aim to enhancing the competitiveness of the Group and ultimately archive positive returns for our shareholders.

I wish to take this opportunity to thank my fellow Directors, the management and all our staffs for their continuous dedication, commitment and hard work throughout the past years and extend my sincerest appreciation for their unstinting support to the Group in the past challenging years due to COVID-19. Thank you also to our business associates, suppliers, customers and most importantly our shareholders and investors for keeping faith in us. Together, we shall take the Group towards success.

Wong Wai Sing
Chairman
21 June 2023

Management Discussion and Analysis

Business and Financial Review

The Group is principally engaged in (i) production and sales of ready-mixed commercial concrete ("Concrete Business"); and (ii) provision of money lending services ("Money Lending Business") during the year ended 31 March 2023 (the "Year").

The Group was also engaged in wholesale and retail of household consumables ("Household Consumables Business") which was disposed of and classified as discontinued operation during the Year. As a result, Household Consumables Business performance have been presented as if the operation was discontinued during the year ended 31 March 2022 (the "Previous Year"). Comparative figures have been restated to conform with the revised presentation. Details of the business disposed of during the Year are disclosed in Note 12 to the consolidated financial statements of this report.

The Group recorded a net loss attributable to owners of the Company of approximately HK$54.8 million for the Year as compared with a net profit of approximately HK$31.3 million for the Previous Year.

Continuing Operations

Revenue

The Group's revenue from continuing operations decreased by approximately HK$143.5 million or 17.9% from approximately HK$803.9 million (restated) for the Previous Year to approximately HK$660.4 million for the corresponding period in 2023.

The following table sets forth a breakdown of the Group's revenue from continuing operations by segments and geographical locations and as a percentage of the Group's total revenue from continuing operations for the Year, with comparative figures for the Previous Year:

	Year ended 31 March			
	2023 HK$'000	**2023 %**	2022 HK$'000 (restated)	2022 % (restated)
By segment:				
Concrete Business	**633,596**	**95.9**	769,845	95.8
Money Lending Business	**26,775**	**4.1**	34,066	4.2
Total	**660,371**	**100.0**	803,911	100.0

	Year ended 31 March			
	2023 HK$'000	**2023 %**	2022 HK$'000 (restated)	2022 % (restated)
By geographical location:				
The People's Republic of China (the "PRC")				
– the Mainland China	**633,596**	**95.9**	769,845	95.8
– Hong Kong	**26,775**	**4.1**	34,066	4.2
Total	**660,371**	**100.0**	803,911	100.0

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

***Revenue** (Continued)*

During the Year, revenue from Concrete Business accounts for approximately 95.9% of the Group's total revenue from continuing operations. The Group's revenue from Concrete Business decreased by approximately HK$136.2 million or 17.7% from approximately HK$769.8 million for the Previous Year to approximately HK$633.6 million for the Year which was mainly due to the combined effect of (i) decrease in sales volume affected by the slowdown of the real estate development in Hainan Province coupled with the operation disruption resulted from the quarantine and lockdown measures implemented by the local authority of Hainan Province due to the outbreak of COVID-19 during the second and third quarters of the Year; and (ii) increase in average selling price of concrete.

Revenue from Money Lending Business decreased by approximately HK$7.3 million or 21.4% from approximately HK$34.1 million for the Previous Year to approximately HK$26.8 million during the Year. The drop in revenue was due to the reduction in average gross loan portfolio to customers from approximately HK$248.9 million for the Previous Year to approximately HK$230.5 million for the Year.

Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and the gross profit margin from continuing operations by business segment for the Year, with comparative figures for the Previous Year:

	Year ended 31 March			
	2023 HK$'000	**2023 GP%**	2022 HK$'000 (restated)	2022 GP% (restated)
By segment:				
Concrete Business	**163,580**	**25.8**	147,471	19.2
Money Lending Business	**26,775**	**100.0**	34,066	100.0
Overall	**190,355**	**28.8**	181,537	22.6

Gross profit from continuing operations increased by approximately HK$8.8 million or 4.9% from approximately HK$181.5 million (restated) for the Previous Year to approximately HK$190.4 million year-on-year. The increase in gross profit was primarily driven by (i) increase in average selling price of concrete; and (ii) the decrease in cost of raw materials during the Year.

The Group's gross profit margin from Concrete Business increased from approximately 19.2% to approximately 25.8% as the Group continued to strengthen its basic management, reduce cost, increase the operating efficiency and increase the average selling price of ready-mixed concrete during the Year.

The gross profit margin for Money Lending Business was 100% for both years ended 31 March 2023 and 2022 and continue to contribute a positive impact to the Group's gross profit margin.

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

Other Income

Other income from continuing operations mainly consists of rental income, interest income from convertible bonds receivables, commission income and litigation income. Other income increased by approximately HK$2.9 million from approximately HK$9.7 million (restated) for the Previous Year to approximately HK$12.6 million for the Year mainly due to increase in commission income and increase in rental income from mixer trucks of Concrete Business.

Other Gains and Losses, Net

Other gains and losses, net from continuing operations for the Year mainly comprise of impairment loss on trade, retention and other receivables of approximately HK$15.3 million; loss on disposals of property, plant and equipment of approximately HK$13.8 million; impairment loss on loan receivables of approximately HK$34.8 million and impairment loss on goodwill of approximately HK$30.8 million.

The Group resulted in a net other losses amounted to approximately HK$93.8 million during the Year as compared to a net other losses of approximately HK$3.7 million (restated) during the Previous Year. The increase in loss was mainly due to the combined effect of (i) increase in impairment loss on trade, retention and other receivables by approximately HK$13.7 million as compared to the Previous Year; (ii) recognition of impairment loss on loan receivables of approximately HK$34.8 million while nil impairment loss are recognised in the Previous Year; (iii) recognition of impairment loss on goodwill allocated to Concrete Business and Money Lending Business amounted to approximately HK$30.8 million in total during the Year against nil for the Previous Year; and (iv) a gain on disposal of subsidiaries of approximately HK$9.7 million was recognised in the Previous Year.

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations mainly consist of transportation expenses, staff cost for distribution unit and commissions paid to sales agents. Selling and distribution expenses increased by approximately HK$6.6 million or 8.8% for the Year as compared with the Previous Year primarily due to increase in transportation costs which resulted from volatile rise of oil prices.

Administrative Expenses

Administrative expenses from continuing operations mainly consist of staff costs (including directors' remuneration), legal and professional fees, consultancy fees and depreciation charges for owned assets and right-of-use assets. Administrative expenses decreased slightly by approximately HK$4.8 million or 8.1% from approximately HK$58.9 million (restated) for the Previous Year to approximately HK$54.1 million for the Year.

Finance Costs

Finance costs from continuing operations mainly represent interest expenses on bonds payable, promissory notes, borrowings and lease liabilities. The finance costs decreased by approximately HK$6.6 million or 24.4% from approximately HK$27.2 million (restated) for the Previous Year to approximately HK$20.6 million for the Year due to (i) decrease in interest on borrowings as lower interest rates was obtained by the Group as compared with the Previous Year; and (ii) decrease in outstanding promissory notes after the redemption at maturity during the Year.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

(Loss) Profit before Income Tax

The Group recorded a loss before income tax from continuing operations of approximately HK$47.3 million for the Year as compared to a profit before income tax of approximately HK$26.7 million (restated) for the Previous Year. The turnaround from profit to loss before income tax during the Year mainly due to the combined effect of: (i) increase in impairment loss on trade, retention and other receivables of approximately HK$13.7 million from Concrete Business as compared to the Previous Year; (ii) recognition of approximately HK$34.8 million of impairment loss on loan receivables for overdue loans with creditability issue during the Year; and (iii) recognition of impairment loss on goodwill in relation to Concrete Business and Money Lending Business in total of approximately HK$30.8 million during the Year against nil for the Previous Year.

Income Tax Credit

As all of the Group's profit are derived from the Mainland China and Hong Kong, the Group is subject to income tax in the Mainland China and Hong Kong.

The Group recorded income tax credit from continuing operations of approximately HK$2.2 million during the Year as compared to approximately HK$0.3 million (restated) for the Previous Year. There was no significant change in applicable tax rates of the Company's subsidiaries during the Year. The increase in income tax credit primarily due to the recognition of tax loss from an operating subsidiary of the Group during the Year.

Impairments

During the Year, the Group had the following impairments:

(a) Impairment loss on goodwill of approximately HK$30.8 million of which approximately HK$28.7 million was allocated to Concrete Business and approximately HK$2.1 million was allocated to Money Lending Business. Independent professional valuers were engaged for the impairment assessment and found that the recoverable amount of the cash generating units were less than the carrying amount of the respective business segments. Impairment on goodwill is considered necessary. The impairment loss on goodwill allocated to Concrete Business was mainly attributable to the decrease in sales volume which slowdown the development growth rate in the cash flow projection. While the impairment loss on goodwill allocated to Money Lending Business was mainly attributable to the increase in competition among other market participants and increase in cost of operation, which led to a reduction in the loan portfolio in the cash flow projection.

(b) Impairment loss on trade, retention and other receivables of approximately HK$15.3 million were related to expected credit loss on trade and retention receivables from Concrete Business. Provision matrix was applied to calculate the expected credit loss. Provision rates were based on the Group's historical settlement experience and historical recoverability rate by groupings of various debtors that have similar loss patterns, taking into account forward-looking information.

(c) Impairment loss on loan receivables of approximately HK$38.4 million was recognised for overdue loans with credibility issue. The Group considered that the default risk of those borrowers was relatively high and thus impairment on loan receivables was considered necessary. The Group has adopted various measures in recovering the overdue loans including negotiation for sale of loan portfolio and conducting legal proceedings against the overdue borrowers in accordance with the prescribed internal procedures.

Business and Financial Review *(Continued)*

Discontinued Operation

On 28 September 2022, the Group through its direct wholly-owned subsidiary, entered into a share purchase agreement in relation to the disposal of the entire equity interest in S&J Distribution Limited ("S&J", together with its subsidiary are referred to as the "S&J Group") at a total consideration of GBP1,900,000 (the "S&J Disposal"). As the S&J Group carried out the whole Household Consumables Business, it was classified as discontinued operation for the Year. The S&J Disposal was completed on 29 September 2022.

In view of the uncertainty of the British market and the prevailing market sentiment, the S&J Disposal was considered more commercial favourable. The S&J Disposal could immediately strengthen the cash flow of the Group and allow the Group to restructure and streamline its business operations to allocate its financial resources to the development of the Group's principal business and/or pursue other business opportunities.

As one or more of the applicable percentage ratios under Rule 14.07 of the rules (the "Listing Rules") governing the listing of securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in respect of the S&J Disposal exceeds 5% but is less than 25%, the S&J Disposal constituted a discloseable transaction of the Company. As the purchaser is wholly-owned by the director of S&J, the purchaser was a connected person (as defined under the Listing Rules) of the Group at the subsidiary level. As the Directors (including the independent non-executive Directors) confirmed that the terms of the S&J Disposal were on normal commercial terms and such terms were fair and reasonable and in the interests of the Company and its shareholders as a whole, the S&J Disposal was only subject to reporting and announcement but was exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Details of the S&J Disposal are set out in the announcement of the Company dated 28 September 2022 and Notes 12 and 44(a) to the consolidated financial statements of this report.

Total Comprehensive (Loss) Income for the Year Attributable to Owners of the Company

The total comprehensive loss for the year attributable to owners of the Company was approximately HK$62.4 million for the Year as compared to a comprehensive income of approximately HK$46.8 million for the Previous Year.

Liquidity and Financial Resources

As at 31 March 2023, the Group had indebtedness comprising promissory notes, bonds payable and borrowings amounted to approximately HK$367.8 million (2022: approximately HK$325.0 million).

As at 31 March 2023, the Group had cash and cash equivalents of approximately HK$69.5 million (2022: approximately HK$138.5 million) which were denominated in Hong Kong Dollar ("HK$"), Renminbi ("RMB") and United States Dollar ("US$").

As at 31 March 2023, the Group's current ratio, calculated based on current assets over current liabilities, was approximately 2.1 (2022: approximately 2.0), reflecting the abundance of financial resources. The Group's gearing ratio was approximately 38.1% (2022: approximately 34.0%), calculated based on the total debts of approximately HK$367.8 million (2022: approximately HK$325.0 million) over shareholders' equity of approximately HK$964.3 million (2022: approximately HK$955.5 million).

Business and Financial Review *(Continued)*

Capital Structure

The capital structure of the Group as at 31 March 2023 are summarised as follows:

(A) Share Capital

As at 31 March 2023, the Company has 4,198,098,293 ordinary shares (2022: 3,499,098,293 ordinary shares) in issue with total shareholders' equity of the Group amounted to approximately HK$964.3 million (2022: approximately HK$955.5 million). During the Year, the Company issued a total of 699,000,000 ordinary shares by way of placing.

(B) Promissory Notes

Summary of the promissory notes movement during the Year are as follows:

			Principal amount			
Date of issue	**Maturity date**	**Interest rate per annum**	**As at 01.04.2022**	**Issued during the year**	**Redeemed/ Reclassified during the year**	**As at 31.03.2023**
6 January 2020	6 January 2023	2%	HK$50,000,000	–	HK$50,000,000	–
13 January 2023[Note]	13 January 2025	8%	–	US$1,000,000	–	US$1,000,000

Note:

The promissory note was issued as part of the consideration for the acquisition of 13.4% of Class A shares of Wisdom Moon (BVI) Limited.

Further details are set out in Note 32 to the consolidated financial statements of this report.

(C) Bonds Payable

On 10 March 2021, the Company issued a seven-year corporate bond with a principal amount of US$20.0 million (equivalent to approximately HK$154.8 million) to an independent third party at an issue price equal to the face value of the bond. The corporate bond is denominated in US$. The principal of the corporate bonds payable bears interest at 4.2% per annum and is payable semi-annually in arrears.

On 15 November 2021, a directly wholly-owned subsidiary of the Company issued a three-year unlisted bond with a principal amount of HK$25 million to an independent third party at an issue price equal to the face value of the bond. The bond is denominated in HK$. The principal of the unlisted bond payable bears interest at rates ranged from 8% to 10% per annum and is payable semi-annually in arrears.

Further details of the above bonds payable are set out in Note 33 to the consolidated financial statements of this report.

Details of other borrowings of the Group are set out in Note 31 to the consolidated financial statements of this report.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Currency and Interest Rate Exposure

Most of the transactions of the Group are denominated in HK$, RMB and US$. The Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between RMB and US$ to HK$. It adopts a conservative treasury policy with most of the bank deposits being kept in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. During the year ended 31 March 2023, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the Group's bank balances and the Group's exposure to interest rate risk on bank balances is expected to be minimal.

Loan Portfolio of Money Lending Business

As at 31 March 2023, before taking into account the impairment loss recognised, the Group had total outstanding loan principal amounts of approximately HK$219.3 million (2022: HK$241.7 million). After taking into account the impairment loss recognised in the amount of approximately HK$89.9 million (2022: HK$55.2 million) (among which approximately HK$76.0 million (2022: HK$49.1 million) is in relation to the outstanding loan principal amounts), the Group had total outstanding loan principal amounts of approximately HK$143.3 million (2022: HK$192.6 million) which is in relation to 13 (2022: 14) active loan accounts which comprised of 4 corporate loans and 9 individual loans (2022: 3 corporate loans and 11 individual loans). The corporate loans accounted for approximately 19.2% (2022: 20.2%) while individual loans accounted for approximately 80.8% (2022: 79.8%) of the outstanding principal of the loan receivables. The average outstanding principal amount per active loan accounts was approximately HK$11.0 million (2022: HK$13.8 million).

The interest rate of the outstanding principal amounts of the active loan accounts ranged from 8% to 30% per annum (2022: 12% to 30%). Out of the aggregate outstanding principal amount of approximately HK$143.3 million of the active loan accounts as at 31 March 2023 (2022: HK$192.6 million), collaterals were provided by 3 (2022: 5) active loan accounts and thus, approximately HK$53.0 million (2022: HK$68.0 million) were collateral-backed by properties in Hong Kong and the Mainland China and the remaining principal amount of approximately HK$90.3 million (2022: HK$124.6 million) were unsecured.

For the concentration of the Group's loan portfolio as at 31 March 2023, the outstanding loan balance and accrued interest receivables net of impairment, amounts of the top borrower and the top five borrowers amounted to approximately HK$26.9 million (2022: HK$27.4 million) and HK$108.6 million (2022: HK$125.8 million) respectively, which represented approximately 16% (2022: 12%) and 66% (2022: 57%) of the Group's loan and accrued interest receivables net of impairment. Out of which, approximately HK$53.6 million (2022: HK$50.0 million) or 49% (2022: 40%) of the outstanding loan and accrued interest receivables amounts of the top five borrowers were collateral-backed by properties in the Mainland China and the interest rate of the top five borrowers ranged from 12% to 18% (2022: 12% to 24%) for the Year.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Loan Portfolio of Money Lending Business *(Continued)*

Set out below is the summary of the top five borrowers of Money Lending Business as at 31 March 2023 arranged in the descending order of their respective outstanding loan amount:

Ranking	Borrower	Term of loan Months	Interest rate Per annum	Latest market value of the collateral HK$ million (Approximately)	Book value of loan receivables as at 31 March 2023 HK$ million (Approximately)	Proportion of the Group's total loan receivables as at 31 March 2023 % (Approximately)
1	Borrower A	12	12%	28	27	16%
2	Borrower B	24	18%	51	27	16%
3	Borrower C	12	17%	N/A	21	13%
4	Borrower D	24	15%	N/A	21	13%
5	Borrower E	24	18%	N/A	13	8%

All top five borrowers are individual clients and were introduced to the Group by referral from existing clients and/or management of the Group. They are all businessmen and are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Nil accumulated impairment losses were recognised for each of the top five borrowers.

Details of the management's discussion on the movements in loan impairments and the underlying reasons are set out in Note 24 to the consolidated financial statements of this report.

Charge on Assets

As at 31 March 2023, the Group has pledged its equity interests of certain subsidiaries to secure the repayment obligations under the 7-year corporate bond due 2028 in the principal amount of US$20,000,000 issued by the Company (2022: Nil). Certain amount of assets is also pledged to secure the Group's bills payable, factoring loans and promissory notes. Further details are set out in Note 40 to the consolidated financial statements of this report.

Contingent Liabilities

As at 31 March 2023, the Group did not have any contingent liabilities or guarantee that would have a material impact on the financial position or results of operations (2022: Nil).

Capital Commitment

As at 31 March 2023, the Group had the following commitments:

	2023 **HK$'000**	2022 HK$'000
Capital commitment contracted but not provided for:		
– Limited partnership interest	**–**	42,889
– Capital contributions payable to an associate	**–**	24,661
	–	67,550

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Operating Lease Commitments

The Group as Lessor

As at 31 March 2023, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	–	308
In the second to fifth years, inclusive	–	874
	–	1,182

Employee Information and Remuneration Policy

As at 31 March 2023, the Group employed a total of 200 (2022: 212 (restated)) employees. During the Year, staff costs, including directors' emoluments under the continuing operations, amounted to approximately HK$42.4 million (2022: HK$49.3 million (restated)).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. The Group also provides on-the-job training to its employees in addition to the statutory mandatory provident fund scheme, statutory retirement benefit and medical benefits.

The Company adopted the share option scheme on 26 February 2015, where options to subscribe for shares of the Company may be granted to the eligible participants as recognition of their contributions to the Group.

Fund Raising Activities

The Group has conducted a placing of ordinary shares (the "Placing") under the general mandate during the Year. Shares of the Placing were allotted and issued to not less than six placees, who and whose ultimate beneficial owners (if applicable) are independent third parties as defined under the Listing Rules. All newly issued placing shares ranked pari passu in all respects with the existing shares. The Directors considered that the Placing represented an opportunity to raise additional funding through the equity market and would strengthen the Group's financial position.

Fund Raising Activities *(Continued)*

Details of the Placing and the use of the proceeds are set as below:

Date and particulars of the Placing	Aggregate nominal value (HK$)	Closing market price per share of the Company on the date on which the terms of the issue were fixed (HK$)	Gross and net proceeds raised	Intended use of proceeds	Actual use of proceeds as at 31 March 2023
Placing of 699,000,000 ordinary shares under general mandate on 29 April 2022 at placing price of HK$0.105 per share	6,990,000	0.121	approximately HK$73.4 million (Gross) HK$71.2 million (Net) (approximately HK$0.102 per share)	All the net proceeds were intended to be used for the Group's general working capital and for the growth and expansion of the business of the Group	Fully utilised as intended

Further details are set out in the announcements of the Company dated 19 April 2022 and 29 April 2022.

Significant Events, Material Acquisitions or Disposals

Save as the S&J Disposal as disclosed in the paragraphs headed "Discontinued Operation" under "Business and Financial Review" in this Management Discussion and Analysis section, the Group has the following significant events during the Year:

(a) Discloseable transactions in relation to the provision of financial assistance

During the course of Money Lending Business, certain provision of financial assistance (the "Loans Transactions") by Chengxin Finance Limited to certain borrowers constituted discloseable transactions of the Company as defined under Chapter 14 of the Listing Rules as the highest applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Loan Transactions exceed 5% but is less than 25%.

However, due to the inadvertent mistake of the management of the Company in the computation of the size tests, the Loans Transactions had not been announced in a timely manner in accordance with the Listing Rules which constituted a non-compliance with Chapter 14 of the Listing Rules at the material time.

Management Discussion and Analysis

Significant Events, Material Acquisitions or Disposals *(Continued)*

(a) Discloseable transactions in relation to the provision of financial assistance *(Continued)*

The Company noted the deficiency in its internal control system and has devised and implemented remedial measures and procedures to avoid the occurrence of similar non-compliance with the Listing Rules in the future including (i) examination of the existing loan portfolio of the Group and to ensure that such loans are in full compliance with the Listing Rules; (ii) holding regular departmental meetings to monitor notifiable transactions; (iii) strengthening the reporting system between departments and Directors; (iv) providing more guidance materials and trainings on compliance matters to the Directors, senior management and the financial staff of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and (v) working more closely with its legal advisers on compliance issues.

It is always the intention of the Company to fully comply with the Listing Rules. The Board and senior management of the Group are now fully aware of the relevant requirements under the Listing Rules and will ensure that the Company will comply with the relevant Listing Rules to avoid the recurrence of similar events in the future. For details, please refer to the announcements of the Company dated 18 November 2022 and 22 November 2022.

(b) Discloseable transaction in relation to the acquisition of the issued share capital of Wisdom Moon (BVI) Limited

On 9 January 2023, Star World International Holdings Limited, a direct wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party (as defined under the Listing Rules) in relation to the acquisition of 1.34 class A shares of Wisdom Moon (BVI) Limited (the "Wisdom Moon"), at a total consideration of US$15,000,000. The consideration was satisfied with US$14,000,000 in cash and US$1,000,000 by issuance of a 2-year 8% promissory note due 2025. The share certificate in respect of 0.089 of the class A shares was retained as a security until redemption of the promissory note by the Group.

Completion of the acquisition took place on 13 January 2023. The Group has designated the investment as equity investment at fair value through other comprehensive income as at 31 March 2023 as such equity investment is held for long term strategic purpose.

Wisdom Moon together with its subsidiaries is principally engaged in the design and manufacture of zero emission commercial vehicles offering both the battery-powered electric vehicles and the fuel cell electric vehicles. The Board considered that the investment in Wisdom Moon was a valuable investment opportunity and represented an opportunity to diversify its business portfolio by tapping into the zero emission commercial vehicles market.

For details, please refer to the announcements of the Company dated 9 January 2023, 13 January 2023 and 2 February 2023.

Events After The Reporting Period

As at the date of this report, there was no significant event relating to the business or financial performance of the Group that came to the attention of the Directors after 31 March 2023.

Management Discussion and Analysis

Future Plans for Material Investments or Capital Assets

Saved as disclosed elsewhere in this report, the Group does not have any firm intention or specific plans for material investments or capital assets as at the date of this report.

Prospects

In the post-pandemic era, the external development environment remains challenging, but at the same time, more opportunities have arisen. Looking ahead, as the economy is already on the road to recovery, the market demand will also be reignited. The Group will continue closely follow the national policies, keep close eyes on changes in market demand, proactively adapt to the environmental changes; and will strengthen the cost savings measures in view of the challenging conditions.

Concrete Business

Concrete Business continue to be the main growth driver of the Group. Although the sales volume of Concrete Business during the Interim Period was affected by the slowdown of the real estate development in Hainan Province and the operation disruption resulted from the persisting quarantine and lockdown measure implemented by the local authority, with the latest issuance of the joint notice by People's Bank of China and China Banking and Insurance Regulatory Commission regarding 16 initiatives on enhancing the current financial support for the stable and healthy development of the real estate market and progressive streamlining of control measures released by the Central Government, the Group is still confident that Concrete Business will continue contribute a stable revenue to the Group and sustain profitability of the Group in the long-term. More resources will be allocated to support further exploration of new opportunities, including potential cooperation with different business partners or market participants in the concrete and construction industries in the PRC, with the aim to strengthen the Group capabilities and positions in the concrete market in Hainan Province for the upcoming financial year.

The Group has also been exploring business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and Hainan Province. The Group will continue to look for opportunity to cooperate with experienced operator(s) to establish its business presence in the Greater Bay Area and leverage the operational expertise and business network of both parties to expedite the Group's business development in both Hainan Province and the Greater Bay Area.

Money Lending Business

Coupled with the potential global economic downturn and rising interest rate environment, the risk of loan default in money lending sector in Hong Kong is inevitably growing. The Group will continue to adopt prudent credit control procedures and cautiously monitor the loan portfolio in developing the business. However, in view of the highly competitive environment in money lending business and the continuous increase in operating costs and default risk, the Group would consider to gradually scale down the loan portfolio in the coming financial years.

Profile of Directors and Senior Management

Executive Directors

Mr. Wong Wai Sing ("Mr. Wong"), aged 37, joined Huasheng International Holding Limited (the "Company", together with its subsidiaries, the "Group") in October 2011 and is currently the Chairman of the board (the "Board") of directors (the "Director(s)") of the Company, Chief Executive Officer and an executive Director. Mr. Wong was also the Vice Chairman of the Company from October 2011 to June 2013, and the Chief Executive Officer of the Company from May 2012 to July 2014. Mr. Wong has taken up the management role as a director of a number of subsidiaries of the Company. Mr. Wong is a member of the Hong Kong Institute of Directors and a member of the Hong Kong Concrete Institute. Mr. Wong holds a Bachelor of Science degree in international trade and business from the Canterbury University, London, an international master degree of business administration from the Stratford University, Falls Church, Virginia, the United States of America and a master of arts from the Universidad Empresarial De Costa Rica. He also obtained a certificate of three-tiers' integrate coal mine's safety（三級煤礦安全技術綜合考試）from the Bureau of Xinjiang Coal Mine Safety Supervision, The People's Republic of China (the "PRC")（中國新疆煤礦安全監察局）.

Mr. Wong has experience in a wide range of businesses, including coal mining and trading in natural resources, provision of internet e-gaming, travel agent services, entertainment programme production and provision of motor vehicles beauty services. He also invested in companies with principal activities regulated under the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong (the "SFO")).

Mr. Chan Kin Lung ("Mr. Chan"), aged 54, joined the Company in October 2013 as an executive Director and is the Chief Investment Officer of the Company. Mr. Chan holds a bachelor's degree of Management of the Economy#（經濟管理）from the Air Force Engineering University of People's Liberation Army, the PRC#（中國人民解放軍空軍工程大學）and holds a diploma of Senior Energy Valuer#（能源審計評估師（高級））from the Ministry of Human Resources and Social Security of the PRC#（中華人民共和國人力資源和社會保障部）. Mr. Chan has extensive experience in the coal mining industry (being both open-pits and undergrounds), exploration, exploitation, production in Xinjiang Uyghur Autonomous Region, the PRC and Guizhou Province, the PRC. Mr. Chan also has over 18 years of experience in corporate management. Mr. Chan adopted a proactive management approach and delivered outstanding performances in various areas, specifically in the area of corporate management.

Mr. Wong Jeffrey, aged 36, was appointed as an executive Director in September 2015. He was the Chief Operating Officer of the Company from September 2016 to March 2022. He has taken up the management role as a director of a number of subsidiaries of the Company. He joined the Group in July 2013 as the chairman assistant and was subsequently promoted to the project coordinator and the senior project officer of Bright Rising Enterprise Limited, a wholly-owned subsidiary of the Company, in July 2014 and January 2015 respectively.

Mr. Wong Jeffrey obtained a Bachelor degree of Applied Science (Laboratory Medicine) from the Royal Melbourne Institute of Technology University in Australia in 2008 and a Master degree of Business Administration (International) from the Deakin University in Australia in 2013. Mr. Wong Jeffrey is also a member of the Hong Kong Institute of Directors and a member of the Hong Kong Concrete Institute. Prior to joining the Group, Mr. Wong Jeffrey worked as medical scientist in various hospitals in Australia from February 2007 to June 2013.

The English translation of Chinese names or words above, where indicated, are indicated for information purpose only and should not be regarded as official English translation names of such Chinese names or words.

Profile of Directors and Senior Management

Independent Non-executive Directors

Mr. Kwok Kam Tim ("Mr. Kwok"), aged 46, joined the Company in April 2012 as an independent non-executive Director. Mr. Kwok is currently the Chairman of each of the Audit Committee and the Remuneration Committee of the Company, and a member of the Nomination Committee of the Company. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. Mr. Kwok holds a Bachelor of Engineering degree from the Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from the Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 21 years of experience in accounting, auditing and financial management.

Mr. Kwok is currently a financial controller of Silk Road Logistics Holdings Limited (stock code: 988), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Tso Ping Cheong, Brian ("Mr. Tso"), aged 43, joined the Company in February 2015 as an independent non-executive Director. Mr. Tso is currently the Chairman of the Nomination Committee of the Company, and a member of each of the Audit Committee and Remuneration Committee of the Company. He graduated from the Hong Kong Polytechnic University in Hong Kong, with a bachelor's degree of arts in accountancy in November 2003 and obtained a master degree of corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Tso has over 19 years of experience in accounting and financial management. From September 2003 to July 2007 and August 2007 to November 2008, Mr. Tso worked at Ernst & Young Hong Kong office and Ernst & Young Shenzhen office, a multinational accounting firm, respectively, with the last position as manager. Mr. Tso is currently a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

Since January 2013, Mr. Tso has been the sole proprietor of Teton CPA Company, an accounting firm. Mr. Tso is currently an independent non-executive director of each of Shenglong Splendecor International Limited (stock code: 8481) and EFT Solutions Holdings Limited (stock code: 8062), both companies listed on the GEM of the Stock Exchange. He is also an independent non-executive director of Maxicity Holdings Limited (stock code: 2295), a company listed on the Main Board of the Stock Exchange. Mr. Tso was an independent non-executive director of Guoen Holdings Limited (formerly known as Guru Online (Holdings) Limited) (stock code: 8121), a company listed on the GEM of the Stock Exchange, from May 2014 to May 2023.

Profile of Directors and Senior Management

Independent Non-executive Directors *(Continued)*

Mr. Li Kwok Tai, James ("Mr. Li"), aged 55, joined the Company in September 2020 as an independent non-executive Director. Mr. Li is currently the member of each of the Nomination Committee, the Audit Committee and Remuneration Committee of the Company. Mr. Li obtained a Bachelor's degree in Engineering (with honours) at the University of Liverpool in the United Kingdom, a Master's degree in Science at the Victoria University of Manchester (currently known as the University of Manchester) in the United Kingdom and a Bachelor's degree in Laws at the University of London in the United Kingdom. Mr. Li is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 23 years of experience in investment banking and corporate finance and has extensive knowledge in accounting and finance.

Mr. Li is currently the managing director of the investment banking department of Shanggu Securities Limited and an independent non-executive director of both C&D Property Management Group Co., Ltd (stock code: 2156) and Powerwin Tech Group Limited (stock code: 2405) which are companies listed on the Main Board of the Stock Exchange.

Senior Management

Mr. Chan Kin Yip ("CKY"), aged 50, has joined the Company as the Chief Financial Officer since September 2015. CKY has taken up the management role as a director of a number of subsidiaries of the Company. CKY graduated from The Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He served as an internal control consultant of Evershine Group Holdings Limited ("Evershine") (stock code: 8022) from September 2007 to March 2009 and was appointed as an executive director of Evershine from March 2009 to March 2012. He has extensive experience in the fields of audit, internal control and treasury and is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

Huasheng International Holding Limited (the "Company" together with its subsidiaries, the "Group") and the board (the "Board") of directors (the "Director(s)") of the Company are devoted to achieve and promote a high standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholder's value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles with emphasis on effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

Corporate Governance Practices

Throughout the year ended 31 March 2023 (the "Year") and up to the date of this report, the Company has complied with all the code provisions contained in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with the exception of the following deviation:

The code provision C.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Wai Sing ("Mr. Wong") held the role of chairman of the Board ("Chairman") and chief executive officer of the Company during the Year.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

The Board will continue to review and improve the corporate governance practices and standards of the Group to ensure its business activities and decision-making processes are regulated in a proper and prudent manner.

Directors' Securities Transactions

The Company had adopted a code of conduct regarding directors' securities transactions with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company had made specific enquiries to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions throughout the Year.

Corporate Governance Report

Board

Responsibilities

The Chairman provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value. The Directors are expected to make decisions objectively in the interests of the Company and its shareholders as a whole.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the internal control and risk management systems;

- policies relating to key business and financial objectives of the Company;

- material transactions, including acquisition, investment, disposal of assets or capital expenditure;

- appointment, removal or re-appointment of Board members, auditor and company secretary;

- communication with key stakeholders, including shareholders and regulatory bodies; and

- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to monitor and disclose with reasonable accuracy of the financial position of the Group. The Board updates shareholders on the operations and financial position of the Group through interim and annual reports and results announcements as well as the publication of timely reports and announcements of inside information and other disclosure required as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to the shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board empowers the executive Directors and senior management team to implement the decisions of the Board under the leadership of the CEO, with department heads responsible for different aspects of the business. CEO is responsible for overall operational management and reports to the Board. In entrusting management and administrative functions to the management team, the Board provides clear instructions regarding the powers delegated to management, and requires the prior approvals of the Board before or making important decisions and commitments on behalf of the Company.

Board *(Continued)*

Responsibilities *(Continued)*

The Board is of the view that there is adequate balance of power. Responsibilities for the Company's daily business management are shared amongst executive Directors. Besides, all major decisions are made in consultation with members of the Board and appropriate committees of the Board.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company.

The latest List of Directors and their Role and Function has been published on the websites of the Company and the Stock Exchange. During the Year and as at the date of this annual report, the Board comprises three executive Directors namely Mr. Wong Wai Sing (Chairman and CEO), Mr. Chan Kin Lung and Mr. Wong Jeffrey; and three independent non-executive Directors, namely Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James. Biographical details of the Directors and their relationship (if any) are shown on pages 17 to 19 of this annual report and set out on the website of the Company.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise throughout the Year.

Insurance Cover

The Company has arranged appropriate insurance cover in respect of any legal action against its directors and officers. The extent of insurance cover is reviewed on an annual basis.

Independent Non-executive Directors

The Company has three independent non-executive Directors, namely Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James. The non-executive Directors advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board.

All independent non-executive Directors were appointed for a specific term of two years unless terminated by either party giving not less than one (1) month's written notice. All Directors are subject to the retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles"), which require one-third of the Directors in office to retire from office by rotation and re–election at each annual general meeting.

Each of the independent non-executive Director has made written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the independent non-executive Directors are independent.

Corporate Governance Report

Appointment, Re-Election and Removal of Directors

The Articles set out a formal procedure for the appointment of new Directors to the Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

The Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the financial position of the Group and of the financial performance and cashflows for that period. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors also warrant that the Group's consolidated financial statements will be published in a timely manner.

In preparing the consolidated financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently, prepared the consolidated financial statements on a going concern, fair and reasonable basis. As at 31 March 2023, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

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

Induction and Continuous Professional Training

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company provided continuous professional training and Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates from time to time. In addition, all Directors were requested to provide the Company with the records of the other training they received. All Directors are also encouraged to attend relevant training courses at the Company's expense. The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

During the Year, all Directors namely, Mr. Wong Wai Sing, Mr. Chan Kin Lung, Mr. Wong Jeffrey, Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James, have participated in professional training relevant to the Group's business, the economy, market trends, corporate governance, rules and regulations, accounting, financial or other professional skills or directors' duties and responsibilities. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars. The Company has also arranged in-house briefings and provided reading materials to the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance the Directors' awareness on good corporate governance practices for the purpose of code provision C.1.4 of the CG Code. The Company has received from each director his individual training record for the Year.

Corporate Governance Report

Meetings

The Board meets at least four times each year and as business need arises. The Company's memorandum of association and the Articles provide for participation at meetings through telephone and other electronic means. The Directors have full access to information on the Group at all times whenever deemed necessary by the Directors.

The Board held 12 meetings during the Year. The attendance of each Director at the Board, committees and general meetings are as follows:

	Number of meetings attended/eligible to attend				
Directors	**Board Meetings**	**Audit Committee Meetings**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**General Meeting**
Executive Directors:					
Mr. Wong Wai Sing *(Chairman and CEO)*	6/12	N/A	N/A	N/A	1/1
Mr. Chan Kin Lung	12/12	N/A	N/A	N/A	1/1
Mr. Wong Jeffrey	12/12	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Kwok Kam Tim	12/12	3/3	1/1	1/1	1/1
Mr. Tso Ping Cheong, Brian	6/12	2/3	1/1	1/1	1/1
Mr. Li Kwok Tai, James	12/12	3/3	1/1	1/1	1/1

Reasonable notices have been given to all meetings of the Board. Directors are given all materials to enable the Board to make informed decision. Except for those circumstances permitted by the Articles, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration, will abstain from voting on the relevant resolution and such Director is not counted as quorum.

Board Committees

The Board established the audit committee, remuneration committee and nomination committee (the "Committees") on 17 December 2010 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference. The independent views and recommendations of the Committees ensure proper control of the Group expected from a listed company. The chairman of each committee reports the outcome of the Committees' meetings to the Board for further discussions and approvals, and execute the powers delegated to the Committees.

Board Committees *(Continued)*

1. Audit Committee

The Board has established the audit committee of the Company ("Audit Committee") with specific written terms of reference setting out the duties, responsibilities and authorities delegated by the Board. The major duties and responsibilities of the Audit Committee include (i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and addressing any questions of resignation or dismissal of such auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and developing and implementing policies in the engagement of the external auditors to supply non-audit services; (ii) monitoring the integrity of financial statements and reports of the Group and reviewing significant financial reporting judgements contained therein; and (iii) reviewing the effectiveness of the financial reporting, risk management and internal control systems of the Group.

The Audit Committee comprises all independent non-executive Directors and is chaired by an independent non-executive Director who is an accountant with related financial management expertise. The company secretary of the Company (the "Company Secretary") acts as the secretary to the Audit Committee. As at 31 March 2023, the members of the Audit Committee were Mr. Kwok Kam Tim (Chairman), Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James.

During the Year, in order to meet their responsibilities, the Audit Committee held 3 meetings to review the annual report for the year ended 31 March 2022, the interim report for the six months ended 30 September 2022, the internal control and risk management matters of the Group, audit scope and matters for the Year and engagement of service provider for internal audit. Among the 3 meetings held during the Year, the Audit Committee met and discussed with the Company's external auditors, ZHONGHUI ANDA CPA Limited, twice to review significant financial reporting judgements contained in the Group's financial statements and regular reports and reviewed the auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response.

To oversee the Group's risk management and internal control systems, the Audit Committee met with the representative of the external advisory firm who performed the internal audit function of the Group for the Year. Details of the report are included in the sub-section headed "Internal Control and Risk Management". In addition, the Audit Committee discussed the risk management and internal control systems with the management of the Group. The discussion included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Audit Committee was satisfied that the management has performed its duty to have effective systems for the Year.

Board Committees *(Continued)*

1. Audit Committee *(Continued)*

The Group has adopted a whistleblowing policy with an aim to provide reporting channels and guidance on reporting possible improprieties by the employees and other parties who deal with the Group in matters of financial reporting or other matters, and reassurance to persons reporting his or her concerns under the whistleblowing policy of the protection that the Group will extend to them against unfair disciplinary action or victimization for any genuine reports made. The Audit Committee has reviewed the policy and was satisfied that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action for the Year.

Auditor's Remuneration

During the Year, the remuneration paid/payable to the external auditors of the Company, ZHONGHUI ANDA CPA Limited, in respect of statutory audit was approximately HK$1,500,000 (for the year ended 31 March 2022: approximately HK$1,530,000) and non-audit services was approximately HK$15,000 (for the year ended 31 March 2022: approximately HK$15,000). Non-audit services represented the preparation of a report on agreement with the preliminary announcement of results of the Group for the Year.

The Audit Committee has developed and implemented a policy on engaging external auditors to supply non-audit services and was satisfied that the provisions of non-audit services of ZHONGHUI ANDA CPA Limited did not jeopardise its independence and objectively for the Year.

Internal Control and Risk Management

The Board is responsible for internal control and risk management systems of the Group and for reviewing its effectiveness. Internal control and risk management systems will be reviewed by the Board annually covering the same financial year/period. The internal control and risk management systems of the Group aim to manage, but not completely eliminate, the risks which hinder the achievement of business objectives, which only provides reasonable assurance, while cannot guarantee that material false statements and damages will be fully avoidable.

The Group has policy in place for handling and dissemination of inside information. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Further, control procedures have been implemented to ensure that the unauthorized access and use of inside information is strictly prohibited.

Board Committees *(Continued)*

1. Audit Committee *(Continued)*

Internal Control and Risk Management *(Continued)*

The Group's risk management and internal control systems are featured with a defined management structure with defined authority for implementation in key business processes and office functions by the executive management. This covers all relevant financial, operational, compliance controls and risk management function within an established framework.

Individual internal assessment is conducted by all departments of the Group to identify potential risks that emerge within their business processes and office functions through daily operations, operating and financial data analysis, changes in operations, etc. Each identified risk should be assessed by the respective department which is responsible to formulate appropriate risk mitigating measures to monitor and manage such risk. All departments conduct internal control assessment on a regular basis to confirm that control policies are properly complied with and identify novel and impending risks and evaluate their potential impact on the Group. Appropriate mitigating measures are then designed and established to manage such risks. Results of the internal assessment, including any material internal control defects, are reported to the Audit Committee and the Board.

The Group has also engaged an external advisory firm to perform the internal audit function in assessing and reviewing the effectiveness and efficiency of the risk management and internal control systems of the Group's key entities and business processes during the Year. Specific area of focus is selected each year and business entities are being reviewed on a rotation basis.

For the Year, systems of human resources and payroll and fixed asset management of the Group's production and sales of ready-mixed commercial concrete business was covered. Areas of review includes, among other, recruitment policies and procedures, calculating and processing of payroll, compliance monitoring with labour laws and regulations; procedures and policies on acquisition, disposal and/or transfer of fixed assets and managing and safeguarding fixed assets. The assessment includes reviewing relevant policies and procedures and interviewing respective process owners and/or management personnel, identified the design, key controls, implementation and operating deficiencies. Qualitative analysis is performed to evaluate the significance and likelihood in occurrence of the risks. Recommendations are given according to the significance level of the identified risks. During the review, improvement measures will be discussed to enhance the overall efficiency on risk management and internal control systems. Recommendations will be properly followed up to ensure they are implemented within a reasonable period. No significant deficiency and weakness on the internal control and risk management systems have been identified for the Year. Result of the review has been reported to the Audit Committee, which was recommended to the Board.

Having considered (i) results of internal assessment; (ii) our compliance record; (iii) reports from the external advisory firm; and (iv) opinions from the Audit Committee, the Board considered the internal control and risk management systems of the Group were effective and adequate and concluded that there were no significant areas of concern which might affect shareholders' interests for the Year and up to the date of this report.

Board Committees *(Continued)*

2. Remuneration Committee

The remuneration committee of the Company ("Remuneration Committee") is responsible for, among other functions, making recommendations to the Board on the policies and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time; and determining the specific remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, which includes any compensation payable for loss or termination of their office or appointment; to review and/approve matters relating to share schemes under Chapter 17 of the Listing Rules. No individual Director is involved in deciding his/her own remuneration.

The Remuneration Committee comprises all independent non-executive Directors. The Company Secretary acts as the secretary to the Remuneration Committee. As at 31 March 2023, the members of the Remuneration Committee were Mr. Kwok Kam Tim (Chairman), Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James.

The Remuneration Committee held 1 meeting during the Year, whereby the members of the Remuneration Committee reviewed and assessed performance of the executive Directors and recommended to the Board on the remuneration packages of the Directors and senior management with reference to the prevailing market conditions, the Company's performance and his time, effort and expertise to be exercised on the Group's affairs of the Company.

3. Nomination Committee

The nomination committee of the Company ("Nomination Committee") is responsible for reviewing the structure, size and composition (including but not limited to the skills, gender, knowledge and experience) of the Board with reference to the Board diversity policy on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals qualified to become Board members with reference to the Board nomination policy and making recommendations to the Board on the selection of individuals nominated for directorships (in particular candidates who can add value to the management through their contributions in strategic business areas and whose appointment will lead to a strong Board); reviewing the Board diversity policy and nomination policy; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of the Directors and succession planning for the Directors in particular for the Chairman and CEO.

The Nomination Committee comprises all independent non-executive Directors. The Company Secretary acts as the secretary to the Nomination Committee. As at 31 March 2023, the members of the Nomination Committee were Mr. Tso Ping Cheong, Brian (Chairman), Mr. Kwok Kam Tim and Mr. Li Kwok Tai, James.

Board Committees *(Continued)*

3. Nomination Committee *(Continued)*

The Nomination Committee held 1 meeting during the Year, whereby the members of the Nomination Committee discussed and made recommendation to the Board on the re-election of retiring Directors, reviewed the size, structure, composition and diversity of the Board, assessed the independence of independent non-executive Directors, discussed the combination of the roles of the Chairman and the CEO.

Board Nomination Policy

The nomination policy provides guidance on nomination of Directors to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

In assessing the suitability of a proposed candidate, the Nomination Committee should take into account the candidate's reputation for integrity, commitment in respect of available time and relevant interest, qualification, skills, experience, independence and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Candidates were identified, selected and proposed by the Nomination Committee and recommended to the Board for consideration. Proposed candidates will be asked to submit the necessary personal information together with their written consent to be appointed as a Director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary. All necessary information relevant for consideration of the suitability of the candidates will be provided to the Board prior to its meeting. Prior to the end of the Director's terms of appointment, his or her re-appointment will be assessed and considered by the Nomination Committee under the same criteria in the nomination policy. Recommendation from the Nomination Committee will then be submitted to the Board for consideration.

The Nomination Committee will review the Board nomination policy periodically to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Board Diversity Policy

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, consideration has been made from a number of aspects, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of Board members will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Board Committees *(Continued)*

3. **Nomination Committee** *(Continued)*

Board Diversity Policy *(Continued)*

Measurable objectives (including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) have been set to implement the board diversity policy and such objectives will be reviewed from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

We are of the view that the Company has achieved these objectives during the Year, as the Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of trading in natural resources, business administration, corporate management, finance, accounting, investment, auditing, internal control and corporate governance. They obtained degrees in various areas including international trade and business, applied science, engineering, law, accounting and corporate governance. Furthermore, the Directors range from 36 years old to 55 years old and the Directors length of service spread from 3 to 12 years.

The Board currently comprises only male Directors. Going forward, to enhance gender diversity of the Board and to achieve the measurable objectives, the Company aims to appoint at least one female Director by 31 December 2024. The Nomination Committee will identify and recommend suitable female candidates to the Board for its consideration on appointment of a Director.

As at 31 March 2023, among the Group's employees (including senior management), approximately 24% were female and 76% were male. The Group strives to achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, the Group will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board. The Group is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Please refer to the Environmental, Social and Governance Report of the Company for details of the Group's gender ratio and related data.

The Nomination Committee will review the board diversity policy periodically and review the necessities to set measurable objectives to implement the board diversity policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertain. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Report

Company Secretary

Ms. Chan Chiu Wing ("Ms. Chan"), has been appointed as the Company Secretary since April 2018. Ms. Chan confirmed that she has complied with all the qualifications, experience, and professional training requirements of the Listing Rules. During the Year, Ms. Chan has taken no less than 15 hours of relevant professional training.

The appointment and removal of the Company Secretary is subject to approval by the Board in physical meeting and accordance with the Articles.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Year, the Board has reviewed the policy of the corporate governance and the Corporate Governance Report of the Company.

Shareholders' Rights

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant 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 Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (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.

Shareholders' Rights *(Continued)*

Procedures for Shareholders to convene an Extraordinary General Meeting *(Continued)*

The requisition should be deposited at the Company's Principal Place of Business in Hong Kong as stated in the section "Corporate Information" on page 2 of this annual report with attention to the Board or the Company Secretary.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition and provide their full name, contact details and identification in order to give effect thereto.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

Enquiries to the Board

Enquiries to the Board can be addressed by post following the procedures set out above or email at general@huashengih.com with attention to the Company Secretary.

Investor Relations

Shareholders' Communication Policy

The Group reports to the shareholders at least twice a year through interim and annual results, which are announced as early as possible to keep shareholders informed of the Group's performance. General meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meetings to discuss the progress of the Group's business. The chairman of each of the Committees are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. Notices of general meetings are circulated to all shareholders in accordance with the requirements of the Listing Rules and the Articles. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

All shareholders' communications are also available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huashengih.com). Our website offers communication channel among the Company, the shareholders and potential investors. Apart from disclosure of all necessary information to the shareholders in compliance with the Listing Rules, news update on the Company's business development and operation are available on the Company's website.

Dividend Policy

Pursuant to code provision F.1.1 of the CG Code, the Company has adopted a dividend policy. In considering the payment of dividends, there shall be a balance between maintaining sufficient capital to grow the Group's business and rewarding the shareholders.

The Board shall also take into account, among other things, when considering the declaration and payment of dividends: (i) the Group's overall results of operation, financial position, capital requirement, cash flows and future prospects; (ii) the amount of distributable reserves of the Company; and (iii) other factors that the Board deems relevant. The declaration and payment of dividends by the Company is subject to restrictions under all applicable laws and regulations.

Investor Relations *(Continued)*

Dividend Policy *(Continued)*

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the policy at any time.

Constitutional Documents

During the Year, there was no change in the Company's constitutional documents. To comply with the latest requirements under the Listing Rules, the Board proposed to put forward relevant resolution(s) for shareholders' approval at the forthcoming annual general meeting for adoption of the new articles of association of the Company. The relevant details will be disclosed in the circular of the Company to be despatched to shareholders together with this annual report.

Report of the Directors

The directors (the "Director(s)" or collectively, the "Board") of the Company are pleased to present the annual report and the audited consolidated financial statements of the Huasheng International Holding Limited (the "Company") and its subsidiaries (together, as the "Group") for the year ended 31 March 2023 (the "Year").

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are (i) production and sales of ready-mixed commercial concrete; and (ii) provision of money lending services during the Year. The Group was also engaged in wholesale and retail of household consumables which was disposed of and classified as discontinued operation during the Year. Details of the principal activities of the Company's principal subsidiaries are set out in Note 36 to the consolidated financial statements contained herein which forms an integral part of this Report of the Directors.

Results and Dividends

The Group's financial performance for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 which forms an integral part of this Report of the Directors.

The Directors do not recommend for the payment of a final dividend for the Year (2022: Nil).

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 144 of this annual report which forms an integral part of this Report of the Directors. This summary does not form part of the audited consolidated financial statements.

Business Review and Performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the Year and a discussion on the Group's future business development and outlook are provided in the section "Management Discussion and Analysis" on pages 5 to 16 of this annual report and it forms part of this Report of the Directors.

Money Lending Business

The provision of money lending services of the Group ("Money Lending Business") is carried out by Chengxin Finance Limited ("Chengxin Finance"), an indirectly wholly-owned subsidiary of the Company, with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

Business Model

In Money Lending Business, potential borrowers were sought from the social and business networks of the management and marketing team. Money Lending Business offers loan financing services to both corporate and individual clients who are third parties independent of the Group and its connected person(s). Corporate loans represent loans to corporate clients with business operations in Hong Kong which need loan financing for their corporation needs and individual loans represents loans to individual clients who need loan financing for their purpose. The Group financed Money Lending Business mainly by internal resources. Money Lending Business generates revenue and profit by way of providing loans to earn interest income.

Business Review and Performance *(Continued)*
Money Lending Business *(Continued)*
Credit Risk Assessment Policy

Various approval criteria are carefully considered during the credit assessment stage, including client's capital base and the existence and amount of guarantees, borrowing history, credit history and relevant investigative results from due diligence during the application procedure.

The risk assessment committee (the "RAC") formed in Money Lending Business, was established in 2018 following the adoption of internal control manual by the board of directors of Chengxin Finance. Chengxin Finance has its own internal control and work procedure in evaluating each loan application and the RAC is responsible for overseeing the compliance and governance matters in Chengxin Finance. The RAC is currently comprised of Mr. Wong Wai Sing, Mr. Wong Jeffrey and Mr. Chan Kin Yip. Respective qualifications and background of each committee member are set out in the section headed "Profile of Directors and Senior Management" of this annual report.

Credit Approval

When assessing loan applications, the availability of collateral/guarantee will be a factor to be considered for grant of loans, the interest rate and the term. Where no collateral is available, in order to safeguard the recoverability risk, the management will consider, among others, income/assets proof, financial background, assets or capital base, repayment ability and reputation of the customer in a tight and stringent manner.

Each loan application will be assessed and dealt with based on its own merit case by case on a qualitative basis. As a normal practice, the management will conduct the following financial background and credit check (including but not limited to financial position or capital base, identity and background, collaterals (if any), and guarantors(if any)) before loans are granted:

(A) Identity proof – identity documents such as identity card or passport from individuals and business registration certificate and certificate of incorporation from corporate entities is required for verification;

(B) Address proof – such as utility bills, bank/credit card/securities account statements or documents issued by government authority, statutory body and institutions with sound reputation is required to be produced;

(C) Repayment ability assessment – to assess the repayment ability of each client, in addition to the background search, the management also checks the client's capital base. Further information from the customer may be requested such as bank/securities account statements, financial statements, valuation report (where applicable) and auditor's report (where applicable); and

(D) Creditworthiness assessment – searches and background checks would be conducted upon potential clients such as media searches.

Business Review and Performance *(Continued)*

Money Lending Business *(Continued)*

Ongoing Monitoring of Loan Recoverability and Loan Collection

To safeguard the recoverability, the Group will pay further attention to financial background, assets or capital base, repayment ability and reputation of the borrower when determining the terms of unsecured loans. Chengxin Finance will monitor the recoverability of loans and the conditions of the borrowers on a regular and ongoing basis. Any delayed payment or default in material terms in the loan agreement will be reported to the management. Different measures, including but not limited to revision of repayment terms, request for additional collaterals/guarantee, execution of settlement agreement and/or commencement of legal proceedings against the customer to recover any late payment charges and penalty interest, may be taken having considered the normal market practice, the actual circumstances during the credit collection processes and negotiations with relevant customers in order to reduce any possible credit losses.

For details of the major terms of loan granted, size and diversity of clients and concentration of loans on major clients, please refer to the paragraphs headed "Loan Portfolio of Money Lending Business" under the section headed "Management Discussion and Analysis" on pages 11 to 12 of this annual report and it forms part of this Report of the Directors.

For details of the management's discussion on the movements in loan impairments and the underlying reasons, please refer to Note 24 to the consolidated financial statements on pages 110 to 111 of this annual report and it forms part of this Report of the Directors.

Relationships With Employees, Suppliers and Customers

The Group dedicates to provide a healthy, safe and comfortable working environment for all employees. The Group has formulated comprehensive training programs and various career development paths.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfill their immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the products and services to its customers.

Environmental, Social and Governance

Environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group complies with environmental legislation and promotes awareness towards environmental protection to the employees by, for example, encouraging staff consume electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste.

Environmental, Social and Governance *(Continued)*

The Environmental, Social and Governance Report of the Group covering our performance during the Year prepared in accordance with Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be available for review and download at the Stock Exchange's website (www.hkexnews.hk) and our Company's website (www.huashengih.com) on the page *Annual Reports/ESG Reports* of *Investor Relations* pursuant to Rule 13.91 of the Listing Rules.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to the Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company for the Year.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Apart from those risks and uncertainties discussed in the section "Management Discussion and Analysis" on page 11 of this annual report which forms an integral part of this Report of the Directors, certain key risks and uncertainties are identified by the Group and listed as follows:

(i) Raw Material Risks

The Group's business is dependent on the supply and cost of raw materials and any disruption in the supply or fluctuation in the prices of such raw materials could materially and adversely affect the Group's business, results of operations, financial position and prospects.

(ii) Credit Risks

Relating to customers exposure to bad debts which usually intensifies in a time of weak economic performance. To minimize credit risks, the management of the Group has appointed dedicated staff members to handle procedures for determining credit limits, credit approval and other monitoring procedures, to ensure follow-up with all receivables in a timely manner. In addition, the Group reviews the collectability of receivables at the end of a reporting period, to ensure that sufficient impairment losses are provided for in respect of uncollectible monies.

(iii) Business and Financial Risks

The profitability and financial position may be materially and adversely affected if any of our major customers ceased their business relationship with the Group. The business and financial position may be materially and adversely affected if there is a global economic downturn in the geographic locations where the Group operates.

(iv) Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Principal Risks and Uncertainties *(Continued)*

Details of financial risk management objectives and policies are set out in Note 42(b) to the consolidated financial statements of this annual report which forms an integral part of this Report of the Directors. Details of internal control and risk management are set out in the Corporate Governance Report under the paragraphs headed "Internal Control and Risk Management" on pages 26 and 27 of this annual report which forms an integral part of this Report of the Directors. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

Investment Properties

Details of the movements in the investment properties of the Group during the Year are set out in Note 15 to the consolidated financial statements contained herein which forms an integral part of this Report of the Directors.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements contained herein which forms an integral part of this Report of the Directors.

Share Capital and Shares Issued

Details of the movements in the Company's share capital and shares issued during the Year are set out in Note 35 to the consolidated financial statements contained herein which forms an integral part of this Report of the Directors.

Details of the issuance of 699,000,000 ordinary shares by the Company on 29 April 2022 are provided under "Fund Raising Activities" in the section "Management Discussion and Analysis" of this annual report which forms an integral part of this Report of Directors.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the Year or subsisted at the end of the Year are set out below:

(a) Share Option Scheme

The Company has adopted a share option scheme on 26 February 2015 (the "Share Option Scheme") for the purpose of providing incentives and rewards to those at the sole determination of the Board, have contributed or will contribute to the Company or its subsidiaries, such as (a) any full-time or part-time employee of the Company and/or any subsidiary of the Company; (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and (c) any consultant or adviser, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company.

The Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such option can be exercised and/or any other terms as the Board may determine in its absolute discretion. There is no general requirement on the minimum period for which an option must be held.

Equity-linked Agreements *(Continued)*

(a) Share Option Scheme *(Continued)*

The life of the Share Option Scheme is 10 years from the date of adoption (26 February 2015), after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted.

The subscription price shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of: (a) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a share.

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 adopted by the Group which provide for the grant of options to acquire or subscribe for shares must not exceed such number of shares as shall represent 30% of the shares of the Company in issue from time to time. No option shall be granted under the Share Option Scheme if this will result in such limit being exceeded.

Subject to the aforesaid limit, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Group must not, in aggregate, exceed 10% of the shares of the Company in issue as at the adoption date of the Share Option Scheme unless shareholders' approval in general meeting is obtained to renew the scheme mandate limit, which shall not exceed 10% of the shares of the Company in issue at the date of such approval. Any further grant of options is subject to shareholders' advanced approval in a general meeting (the "Scheme Mandate Limit"). The existing Scheme Mandate Limit was approved by the shareholder in the annual general meeting of the Company on 13 August 2021 and the total number of shares available for issue under the Share Option Scheme is 349,909,829, which represents 8.33% of the issued shares of the Company as at the date of this annual report.

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 shares of the Company in issue. Where any further grant of options to an eligible participant would result in excess of such limit, such further grant shall be subject to the approval of the shareholders at a general meeting with such eligible participant and his associates abstaining from voting.

Pursuant to the Share Option Scheme, HK$1.00 per offer of grant is payable by the grantee to the Company on acceptance of the option offer as consideration for the grant. The option must be accepted within 10 days from the date on which an offer of option is made to a grantee.

Equity-linked Agreements *(Continued)*

(a) Share Option Scheme *(Continued)*

Any grant of options to a connected person or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee). 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 will 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 shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such grant of options must be subject to the approval of the shareholders taken on a poll at a general meeting.

There was no outstanding option at the beginning of the financial year and no option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year.

Further details of the Share Option Scheme is set out in Note 37 to the consolidated financial statements of this annual report.

(b) Placing of shares

The Company has successfully placed 699,000,000 shares on 29 April 2022. Details of which are provided under "Fund Raising Activities" in the section "Management Discussion and Analysis" of this annual report which forms an integral part of this Report of the Directors.

Distributable Reserves

Details of the movements in reserves of the Group during the Year are set out in the Consolidated Statement of Changes in Equity on pages 54 to 55 of this annual report. Details of the distributable reserves of the Company as at 31 March 2023 are set out in Note 45 to the consolidated financial statements contained herein which form part of this Report of the Directors.

Donation

The Group has donated HK$10,000 to charitable organization during the Year (2022: Nil).

Directors

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

Executive Directors
Mr. Wong Wai Sing
(Chairman and CEO)
Mr. Chan Kin Lung
Mr. Wong Jeffrey

Independent Non-executive Directors
Mr. Kwok Kam Tim
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Pursuant to Article 83(3) of the articles of association of the Company (the "Article"), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Directors *(Continued)*

In accordance with Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The Directors' biographical details are set out on pages 17 to 19 of this annual report, which forms an integral part of this Report of the Directors.

Each of the independent non-executive Director has made written annual confirmation in respect of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee is of the view that all independent non-executive Directors are independent.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting ("AGM") has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Mr. Wong Wai Sing has entered into a letter of appointment as an executive Director with effect from 12 December 2018 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Chan Kin Lung has entered into a letter of appointment as an executive Director with effect from 1 January 2016 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Wong Jeffrey has entered into a letter of appointment as an executive Director with effect from 1 September 2016 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James have each entered into a letter of appointment with effect from 1 January 2022 for a term of two (2) years unless terminated by either party giving not less than one (1) month's written notice.

Permitted Indemnity Provision

Pursuant to Article 164(1) of the Articles, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto, and no Director shall be liable for any loss, misfortune or damage which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by Section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Report of the Directors

Management Contracts

No contracts, other than contracts of service, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Directors' Interests in Competing Business

As far as the Directors are aware of, none of the Directors or their close associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the Year.

Directors' Interest in Contracts of Significance

Save as disclosed in the subsection "Connected Transactions" below and Note 39 to the consolidated financial statements of this annual report which forms an integral part of this Report of the Directors, no transactions, arrangements and contracts of significance in relation to the Group's businesses to which the Company or its subsidiaries was a party and in which a Director or his or her connected entities had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the Year.

Interests of Directors and Chief Executive

As at 31 March 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") were set out below:

Long position in the Shares

Name of Director	Capacity	Total number of shares held	Approximate percentage of shareholding in the Company (Note 2)
Mr. Wong Wai Sing (Note 1)	Beneficial owner and interest of a controlled corporation	906,978,000	21.60%

Notes:

1. Mr. Wong Wai Sing holds 8,394,000 shares in personal capacity, he also beneficially owned the entire issued share capital of Twin Star Global Limited, which is interested in 898,584,000 shares of the Company.

2. As at 31 March 2023, the total number of issued shares of the Company was 4,198,098,293.

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at 31 March 2023, the following persons (not being a Director or chief executives of the Company) have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in the Shares

Name	Nature of interest	Total number of shares held	Approximate percentage of interest in the Company (Note 2)
Twin Star Global Limited (Note 1)	Beneficial owner	898,584,000	21.40%

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong Wai Sing, the Chairman and an executive Director. Accordingly, Mr. Wong Wai Sing is deemed to be interested in the shares held by Twin Star Global Limited.

2. As at 31 March 2023, the total number of issued shares of the Company was 4,198,098,293.

Save as disclosed herein, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2023.

Arrangement to Purchase Shares or Debenture

Save as disclosed under the subsection "Share Option Scheme" above, at no time during the Year and up to the date of this annual report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Connected Transactions

On 28 September 2022, the Group through its direct wholly-owned subsidiary, as vendor, entered into a share purchase agreement with the purchaser in relation to the disposal (the "S&J Disposal") of the entire equity interest in S&J Distribution Limited ("S&J", together with its subsidiary are referred to as the "S&J Group").

In view of the uncertainty of the British market and the prevailing market sentiment, the S&J Disposal was considered more commercial favourable. The S&J Disposal could immediately strengthen the cash flow of the Group and allow the Group to restructure and streamline its business operations to allocate its financial resources to the development of the Group's principal business and/or pursue other business opportunities.

Connected Transactions *(Continued)*

The consideration was GBP1.9 million and satisfied in the following manner: (a) GBP1.7 million on the date of completion of the S&J Disposal; and (b) GBP0.2 million (the "Deferred Payment") shall be payable on (i) 10 working days following service of notice by the purchaser specifying it wishes to serve the Deferred Payment or (ii) 39 months from the date of the share purchase agreement, whichever is earlier. The Group shall receive an interest rate of 3% per annum on the Deferred Payment payable bi-annually every 6 months from the date of completion and calculated from the date of completion to the date when the Deferred Payment is settled.

As the purchaser is wholly-owned by the director of S&J, being the then wholly-owned subsidiary of the Company, the purchaser is an associate (as defined under the Listing Rules) of the director of S&J and therefore a connected person of the Company at the subsidiary level and the share purchase agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Directors have approved the S&J Disposal and the Directors (including the independent non-executive Directors) confirmed that the terms of the S&J Disposal were on normal commercial terms and such terms were fair and reasonable and in the interests of the Company and the shareholders as a whole, the share purchase agreement was only subject to reporting and announcement but was exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The S&J Disposal was completed on 29 September 2022. Details of the S&J Disposal are set out in the announcement of the Company dated 28 September 2022 and Notes 12 and 44(a) to the consolidated financial statements of this report.

Details of the related party transactions of the Group during the Year are set out in Note 39 to the consolidated financial statements contained herein which form part of this Report of the Directors.

Payments of emoluments to the Directors and members of key management pursuant to their respective service contracts with the Company were exempt connected transactions under Rule 14A.95 of the Listing Rules while payments of emoluments/consultancy fee to senior management do not constitute connected transaction under Chapter 14A of the Listing Rules.

During the Year, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Emolument Policy

A general description of the emolument policy of the Group are set out under in the sub-heading "Employee Information and Remuneration Policy" in the section "Management Discussion and Analysis" on page 13 of this annual report and it forms part of this Report of the Directors.

The emoluments of the Directors will be reviewed and recommended by the remuneration committee of the Company for the Board's approval having regard to the Company's performance and the time, effort and expertise to be exercised on the Group's affairs by the individual Director. Details of the Directors' and employees' emoluments are set out in Note 11 to the consolidated financial statements contained herein which forms an integral part of this Report of the Directors.

Report of the Directors

Retirement Benefit Plans

As at the date of this report, other than operating a Hong Kong Mandatory Provident Fund Scheme and the People's Republic of China state-managed retirement benefit scheme, the Group has not operated any other retirement benefit schemes for the Group's employees. Particulars of the retirement benefit plans are set out in Note 3 to the consolidated financial statements under the sub-heading "Pension obligations" which forms an integral part of this Report of the Directors.

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Year.

Pre-Emptive Rights

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

Tax Relief

The Directors are not aware of any tax relief available to the shareholders by reason of their holding of the Company's securities.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this annual report.

Major Suppliers and Customers

In the Year, the Group's largest supplier accounted for 33.2% (2022: 35.6% (restated)) of the Group's total purchases from continuing operations. The Group's five largest suppliers accounted for 71.2% (2022: 74.8% (restated)) of the Group's total purchases from continuing operations.

In the Year, the Group's sales to its five largest customers accounted for 25.7% (2022: 27.7% (restated)) of the Group's total sales from continuing operations. The Group's largest customer accounted for 6.4% (2022: 7.9% (restated)) of the Group's total sales from continuing operations.

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

Closure of Register of Members

For the purpose of determining members who are entitled to attend and vote at the forthcoming AGM to be held on Wednesday, 9 August 2023, the register of members of the Company will be closed from Friday, 4 August 2023 to Wednesday, 9 August 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 August 2023.

Report of the Directors

Review of Financial Statements by Audit Committee

The audit committee of the Company has reviewed the management accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited consolidated financial statements of the Group for the Year.

Corporate Governance

The Company has published its corporate governance report, which is set out on pages 20 to 33 of this annual report which forms an integral part of this Report of the Directors.

Auditor

There were no changes in auditors in any of the preceding three years.

The consolidated financial statements of the Group for the Year were audited by ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the AGM.

A resolution for the appointment of ZHONGHUI ANDA as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Jeffrey
Executive Director

Hong Kong, 21 June 2023

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
Huasheng International Holding Limited
華盛國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Huasheng International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 143, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Impairment of other intangible assets and goodwill

Refer to Notes 18, 19 and 20 to the consolidated financial statements.

The Group tested the amount of other intangible assets and goodwill for impairment. This impairment test is significant to our audit because the balances of other intangible assets and goodwill of approximately HK$45,957,000 and HK$145,535,000, respectively, as at 31 March 2023 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the identification of the related cash generating units;

— Comparing the actual cash flows with the cash flow projections;

— Assessing the reasonableness of the key assumptions including revenue growth, profit margins, terminal growth rates and discount rates;

— Checking input data to supporting evidence;

— Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model; and

— Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for other intangible assets and goodwill are supported by the available evidence.

Loan receivables

Refer to Note 24 to the consolidated financial statements.

The Group tested the amount of loan receivables for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK$164,828,000 as at 31 March 2023 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to debtors;

— Assessing the Group's relationship and transaction history with the debtors;

— Evaluating the Group's impairment assessment;

- Assessing ageing of the debts;
- Assessing creditworthiness of the debtors;
- Checking subsequent settlements from the debtors;
- Assessing the value of collateral for the debts; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for loan receivables is supported by the available evidence.

Trade, retention and other receivables and prepayments

Refer to Note 25 to the consolidated financial statements.

The Group tested the amount of trade, retention and other receivables and prepayments for impairment. This impairment test is significant to our audit because the balance of trade, retention and other receivables and prepayments of approximately HK$1,093,718,000 as at 31 March 2023 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade, retention and other receivables and prepayments is supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

Independent Auditor's Report

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors of Company 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-setting/standards/our-views/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 21 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations			
Other revenue		**633,596**	769,845
Interest revenue		**26,775**	34,066
Total revenue	5	**660,371**	803,911
Cost of sales		**(470,016)**	(622,374)
Gross profit		**190,355**	181,537
Other income	6	**12,645**	9,740
Other gains and losses, net	7	**(93,804)**	(3,676)
Selling and distribution expenses		**(81,196)**	(74,605)
Administrative expenses		**(54,141)**	(58,898)
Finance costs	8	**(20,607)**	(27,240)
Share of loss of associates		**(523)**	(194)
(Loss) profit before income tax from continuing operations		**(47,271)**	26,664
Income tax credit	9	**2,223**	250
(Loss) profit for the year from continuing operations	10	**(45,048)**	26,914
Discontinued operation			
(Loss) profit for the year from discontinued operation	12	**(9,726)**	4,379
(Loss) profit for the year attributable to the owners of the Company		**(54,774)**	31,293
Other comprehensive (loss) income:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(13,416)**	16,229
– Share of other comprehensive income of associates		**138**	–
		(13,278)	16,229
Item that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**5,427**	(719)
Item that will not be reclassified to profit or loss:			
– Fair value changes on equity investment at fair value through other comprehensive income ("FVTOCI")		**259**	–
Other comprehensive (loss) income for the year, net of income tax		**(7,592)**	15,510
Total comprehensive (loss) income for the year attributable to the owners of the Company		**(62,366)**	46,803
(Loss) earnings per share attributable to owners of the Company	14		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**(1.32)**	0.89
From continuing operations			
Basic and diluted (HK cents)		**(1.09)**	0.77
From discontinued operation			
Basic and dilutes (HK cents)		**(0.23)**	0.12

Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Investment properties	15	–	4,792
Property, plant and equipment	16	38,320	59,188
Right-of-use assets	17(a)	4,990	12,985
Other intangible assets	18	45,957	58,213
Goodwill	19	145,535	186,074
Interests in associates	21	56,850	10,900
Equity investment at fair value through other comprehensive income	22	116,982	–
Retention receivables	25	124,967	80,073
Deferred tax assets	34	8,015	3,049
		541,616	415,274
CURRENT ASSETS			
Inventories	23	9,151	17,664
Loan receivables	24	164,828	221,904
Trade, retention and other receivables and prepayments	25	968,751	1,157,182
Promissory note receivable	26	27,500	29,500
Convertible bonds receivables	27	17,465	15,897
Investments at fair value through profit or loss	28	–	29,287
Bank balances and cash	29	69,491	138,545
		1,257,186	1,609,979
CURRENT LIABILITIES			
Trade and other payables and accruals	30	450,703	718,541
Lease liabilities	17(b)	6,532	10,246
Borrowings	31	117,157	–
Promissory notes	32	–	49,254
Bonds payable	33	25,826	25,734
Tax payable		1,751	2,263
		601,969	806,038
NET CURRENT ASSETS		655,217	803,941
TOTAL ASSETS LESS CURRENT LIABILITIES		1,196,833	1,219,215

Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	17(b)	**1,941**	6,468
Borrowings	31	**61,457**	94,217
Promissory notes	32	**7,679**	–
Bonds payable	33	**155,712**	155,795
Deferred tax liabilities	34	**5,742**	7,260
		232,531	263,740
NET ASSETS		**964,302**	955,475
CAPITAL AND RESERVES			
Share capital	35	**41,981**	34,991
Reserves		**922,321**	920,484
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**964,302**	955,475

The consolidated financial statements on pages 51 to 143 were approved and authorised for issue by the Board of Directors on 21 June 2023 and are signed on its behalf by:

Mr. Wong Wai Sing
DIRECTOR

Mr. Wong Jeffrey
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company		
	Share capital HK$'000	**Share premium** HK$'000	**Legal reserve** HK$'000
At 1 April 2021	34,991	1,688,181	49
Profit for the year	–	–	–
Other comprehensive income (loss), net of income tax:			
– Exchange differences arising on translation of foreign operations	–	–	–
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries	–	–	–
Total comprehensive income for the year	–	–	–
Dividends approved in respect of previous year	–	(10,497)	–
Disposal of subsidiaries	–	–	(49)
Transactions with owners	–	(10,497)	(49)
At 31 March 2022	34,991	1,677,684	–
Loss for the year	–	–	–
Other comprehensive (loss) income, net of income tax:			
– Exchange differences arising on translation of foreign operations	–	–	–
– Share of other comprehensive income of associates	–	–	–
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries	–	–	–
Fair value changes on equity investment at FVTOCI	–	–	–
Total comprehensive loss for the year	–	–	–
Issue shares pursuant to placing agreement (Note 35)	6,990	66,405	–
Transaction cost attributable to issue of placing shares (Note 35)	–	(2,202)	–
Transactions with owners	6,990	64,203	–
At 31 March 2023	41,981	1,741,887	–

Notes:

(i) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited.

(ii) The other reserves represent the difference between the fair value of interest-free advance to an ex– shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK$6,000,000.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

Attributable to owners of the Company					
Special reserve HK$'000 (Note (i))	Exchange reserve HK$'000	Other reserves HK$'000 (Note (ii))	Fair value through other comprehensive income reserves HK$'000	Accumulated losses HK$'000	Total equity HK$'000
678	(4,950)	(6,000)	–	(793,780)	919,169
–	–	–	–	31,293	31,293
–	16,229	–	–	–	16,229
–	(719)	–	–	–	(719)
–	15,510	–	–	31,293	46,803
–	–	–	–	–	(10,497)
–	–	–	–	49	–
–	–	–	–	49	(10,497)
678	10,560	(6,000)	–	(762,438)	955,475
–	–	–	–	(54,774)	(54,774)
–	(13,416)	–	–	–	(13,416)
–	138	–	–	–	138
–	5,427	–	–	–	5,427
–	–	–	259	–	259
–	(7,851)	–	259	(54,774)	(62,366)
–	–	–	–	–	73,395
–	–	–	–	–	(2,202)
–	–	–	–	–	71,193
678	2,709	(6,000)	259	(817,212)	964,302

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000 (restated)
OPERATING ACTIVITIES		
(Loss) profit before income tax		
– from continuing operations	(47,271)	26,664
– from discontinued operation	(8,864)	5,475
	(56,135)	32,139
Adjustments for:		
Amortisation of other intangible assets	12,255	12,973
Bank interest income	(350)	(349)
Convertible bonds receivables interest income	(1,256)	(1,244)
Depreciation of property, plant and equipment	5,372	10,432
Depreciation of right-of-use assets	7,089	7,124
Fair value (gain) loss on convertible bonds receivables	(312)	755
Fair value loss on investments at fair value through profit or loss	(362)	4,110
Fair value gain on investment properties	(510)	–
Gain on disposal of subsidiaries	12,968	(9,703)
Impairment loss on loan receivables	34,803	–
Impairment loss on goodwill	30,765	–
Interest expenses on borrowings	7,693	14,860
Interest expenses on bonds payable	8,611	7,225
Interest expenses on lease liabilities	407	674
Interest expenses on promissory notes	3,901	4,504
Loss on disposal of property, plant and equipment	13,767	6,378
Impairment loss on trade, retention and other receivables	15,313	1,760
Share of loss of associates	523	194
Written-off of trade receivables	891	–
Operating cash flows before changes in working capital	95,433	91,832
Decrease (increase) in inventories	1,393	(2,393)
Decrease in loan receivables	22,273	28,317
Decrease (increase) in trade, retention and other receivables, prepayments	83,536	(271,974)
Purchase of investments at fair value through profit or loss	–	(27,854)
Proceeds from disposal of investments at fair value through profit or loss	29,649	27,361
Decrease (increase) in trade and other payables and accruals	(254,001)	247,859
Cash generated (used in) from operating activities	(21,717)	93,148
Income tax (paid) refunded	(4,678)	478
Lease interests paid	(407)	(674)
NET CASH GENERATED (USED IN) FROM OPERATING ACTIVITIES	(26,802)	92,952

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000 (restated)
INVESTING ACTIVITIES		
Net cash inflow on disposal of subsidiaries	13,567	4,975
Purchase of property, plant and equipment	(4,742)	(6,998)
Purchase of equity investment at FVTOCI	(109,199)	–
Proceeds from disposal of property, plant and equipment	704	1,375
Proceeds from disposal of investment properties	4,915	–
Receipt from promissory note receivable	2,000	6,500
Investment in associates	(47,077)	(10,936)
Decrease/(increase) in restricted cash	59,849	(100,112)
Interest received	350	973
NET CASH USED IN INVESTING ACTIVITIES	(79,633)	(104,223)
FINANCING ACTIVITIES		
Proceeds from borrowings	85,349	60,000
Proceeds from placing of shares, net	71,193	–
Proceeds from bonds payable	–	25,000
Repayment of promissory notes	(31,800)	–
Repayment of borrowings	–	(118,506)
Dividend paid to owners of the Company	–	(10,497)
Principal portion of lease payments	(7,242)	(7,151)
Interest paid	(10,124)	(16,441)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	107,376	(67,595)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	941	(78,866)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15,066	89,113
Effect of foreign exchange rate changes	(915)	4,819
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	15,092	15,066
Analysis of cash and cash equivalents		
Bank balances and cash	69,491	138,545
Restricted cash	(54,399)	(123,479)
	15,092	15,066

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. General Information

Huasheng International Holding Limited (the "Company") was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2011. The registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The principal activities of the Group are (i) production and sales of ready-mixed commercial concrete ("Concrete Business"); and (ii) provision of money lending services ("Money Lending Business"). The Group was also engaged in wholesale and retail of household consumables ("Household Consumables Business"), which was disposed of and classified as discontinued operation during the year ended 31 March 2023. Further details of which is set out in Notes 12 and 44(a).

Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for equity investment at fair value through other comprehensive income ("FVTOCI"), investments at fair value through profit or loss ("FVTPL"), investment properties and convertible bonds receivables which are measured at fair value.

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

Certain figures in the consolidated financial statements for the year ended 31 March 2022 related to discontinued operation have been reclassified and restated to conform with the current year presentations and accounting treatment.

2. Adoption of Amendments Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 Amendments to HKFRSs that is effective for annual period beginning on or after 1 April 2022

In the current year, the Group has applied for the first time the following new and amended HKFRSs (which included all HKFRSs, HKASs and Interpretations) issued by the HKICPA, which are relevant to the Group's operation and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2022:

Amendments to HKFRSs	Annual improvements to HKFRS 2018-2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contract – Cost of Fulfilling a Contract

The adoption of these amendments to HKFRSs do not have any material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out these consolidated financial statements.

2.2 New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HKFRS 17	Insurance Contracts and related Amendments[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

The directors of the Company (the "Director(s)") anticipate that the application of all the new and amendments to HKFRSs unlikely to have any material impact on the consolidated financial statements in the foreseeable future.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs which collective terms includes all applicable HKFRSs, HKASs and Interpretations issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by equity investments at FVTOCI, investments at fair value through profit or loss ("FVTPL"), investment properties and convertible bonds receivables which are carried at their fair values. The consolidated financial statements have been presented in Hong Kong dollars ("HK$"), which is the Company's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the management of the Group to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 4.

Basis of Consolidation

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Basis of Consolidation *(Continued)*

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

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

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

Business combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

3. Significant Accounting Policies *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of "impairment of assets" as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash generating units (the "CGU") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

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

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

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

3. Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other income

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial assets.

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

Government grants and subsidies

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expenses item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3. Significant Accounting Policies *(Continued)*

Property, plant and equipment

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

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

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

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Plant and machinery	10 years
Motor vehicles	5 years
Leasehold improvement	Over the term of the leases, or 10 years whichever is the shorter
Furniture, fixtures and equipment	5 years

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.

Construction in progress, which mainly represents construction on plant and machinery, is stated at cost less any identified impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

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.

3. Significant Accounting Policies *(Continued)*

Investment properties

Investment properties are land and buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Groups assess 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short–term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	Over the term of leases
Motor vehicles	Over the term of leases

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. Significant Accounting Policies *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases 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 leases of low value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or finance leases.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non–lease components, the Group allocates the consideration in the contract to each component on a relative standalone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is recognised in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3. Significant Accounting Policies *(Continued)*

Leases *(Continued)*

Group as a lessor *(Continued)*

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in financial statements

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

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

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

3. Significant Accounting Policies *(Continued)*

Foreign currency translation *(Continued)*

(iii) Translation on consolidation

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

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

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

- All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

3. Significant Accounting Policies *(Continued)*

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all qualified employees. Contributions to the schemes by the Group and employees are calculated at a rate specified in the rules. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Hong Kong

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, 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. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The People's Republic of China (the "PRC")

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

3. Significant Accounting Policies *(Continued)*

Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the Directors).

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "share option reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. 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.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

3. Significant Accounting Policies *(Continued)*

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

3. Significant Accounting Policies *(Continued)*

Other intangible assets

Other intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives, as follows:

Customer Network	7-10 years

Other intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis (see the accounting policy in respect of impairment losses on non-financial assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost;

– Financial assets at FVTPL; and

– Financial assets at FVTOCI.

(i) Financial assets at amortised cost

Financial assets (including trade, loan and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit loss ("ECL").

(ii) Financial assets at FVTPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at FVTPL include derivative financial asset and investments at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

(iii) Financial assets at FVTOCI

Financial assets are classified under this category if they meet the following conditions are subsequently measured at FVTOCI:

- the financial assets 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.

Financial assets at FVTOCI included equity investments at FVTOCI.

Equity investments designated as at FVTOCI. Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" line item in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (2014) (including loan receivables, trade, retention and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments 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 date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and retention receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

(i) 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 date 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;
- an actual or expected significant deterioration in the operating results of the debtor; or
- 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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

(iii) 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:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- 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;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Written-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, or in the case of trade and retention receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measure 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.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measure and recognition of ECL (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 based on:

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

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 loan receivables, trade and retention receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Trade and other payables

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

Borrowings

Borrowing is recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

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

Promissory notes

Promissory notes are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, promissory notes are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies *(Continued)*

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Segment reporting

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

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 productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Significant Accounting Policies *(Continued)*

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

  (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

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

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

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

3. Significant Accounting Policies *(Continued)*

Provisions and contingent liabilities

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

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

Events after the reporting period

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

4. Critical Judgement and Key Estimates

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

(a) Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGU to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill and other intangible assets at 31 March 2023 was approximately HK$145,535,000 and approximately HK$45,957,000, respectively. Details of the impairment loss calculation are provided in Note 20.

(b) Useful lives of other intangible assets

As at 31 March 2023, the carrying amount of the Group's other intangible assets was approximately HK$45,957,000. The estimated useful lives of the assets reflect the Directors' estimate of the periods over which the other intangible assets are expected to generate net cash flows for the Group based on certain assumptions including attrition of customers base. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore amortisation expenses and impairment losses in the future years. Details of the other intangible assets are set out in Note 18.

4. Critical Judgement and Key Estimates *(Continued)*

(c) Estimated impairment of loan receivables and trade, retention and other receivables

The Group follows the guidance of HKFRS 9 (2014) to estimate the amount of loss allowance for ECL on loan receivables, trade, retention and other receivables. The Group uses provision matrix to calculate ECL for trade and retention receivables. The provision rates are based on the Groups historical settlement experience and historical recoverability rate as groupings of various debtors that have similar loss patterns. The provision matrix is based on the provision rates, taking into account forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and retention receivables with significant balances and credit impaired, and other receivables are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's loan receivables and trade, retention and other receivables are disclosed in Notes 24 and 25.

(d) Provision for income taxes

The Group is subject to income and other forms of taxes in different jurisdictions and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for taxes based on estimates of the taxes that are likely to become due. The Group believes that its provisions for taxes is adequate for the reporting periods based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(e) Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

(f) Property, plant and equipment and depreciation

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

4. Critical Judgement and Key Estimates *(Continued)*

(g) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

5. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Concrete Business – Production and sales of ready-mixed commercial concrete
- Money Lending Business – Provision of money lending services
- Household Consumables Business – Wholesale and retail of household consumables (discontinued operation)[1]

1. The Group completed the disposal of the entire equity interest of S&J Distribution Limited, together with its subsidiary, which carried out the whole Group's Household Consumables Business, on 29 September 2022. Accordingly, the Household Consumables Business segment was classified as a discontinued operation for the year ended 31 March 2023. As to confirm to the annual presentation, the Household Consumables Business segment has been re-presented and classified as a discontinued operation for the year ended 31 March 2022. Details of which are set out in Note 12.

The segment information reported as below does not include any results for the discontinued operation.

5. Revenue and Segment Information *(Continued)*

Revenue

Disaggregation of revenue from contracts with customers from continuing operations:

	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
Revenue from contracts with customers:		
Sales of goods from Concrete Business	633,596	769,845
Revenue from other source:		
Interest income from Money Lending Business	26,775	34,066
	660,371	803,911
Timing of revenue recognition:		
At a point in time	633,596	769,845
Revenue from contracts with customers	633,596	769,845
Geographical market:		
The People's Republic of China (the "PRC")		
– Mainland China	633,596	769,845
Revenue from contracts with customers	633,596	769,845

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

5. Revenue and Segment Information *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments from continuing operations:

For the year ended 31 March 2023	Continuing operations Concrete Business HK$'000	 Money Lending Business HK$'000	Total HK$'000
Revenue from external customers	**633,596**	**26,775**	**660,371**
Segment profit (loss)	**43,370**	**(12,848)**	**30,522**
Bank interest income			**350**
Exchange differences			**1,061**
Realised gain on disposal of investments at FVTPL			**362**
Fair value gain on convertible bonds receivables			**312**
Impairment loss on goodwill			**(30,765)**
Amortisation of other intangible assets			**(12,255)**
Share of results of associates			**(523)**
Central administration costs			**(36,335)**
Loss before income tax from continuing operations			**(47,271)**

For the year ended 31 March 2022	Continuing operations Concrete Business HK$'000	 Money Lending Business HK$'000	Total HK$'000 (restated)
Revenue from external customers	769,845	34,066	803,911
Segment profit	58,383	28,753	87,136
Bank interest income			349
Exchange differences			(532)
Fair value loss on investments at FVTPL			(4,110)
Fair value loss on convertible bonds receivables			(755)
Amortisation of other intangible assets			(12,255)
Share of results of associates			(194)
Central administration costs			(42,975)
Profit before income tax from continuing operations			26,664

5. Revenue and Segment Information *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of bank interest income, exchange differences, realised gain on disposal of investments at FVTPL, change in fair value of investments at FVTPL, convertible bonds receivables, amortisation of other intangible assets, share of results of associates, impairment loss on goodwill, central administration costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2023 HK$'000	2022 HK$'000
Continuing operations		
Concrete Business	948,734	1,101,757
Money Lending Business	166,824	225,214
Discontinued operation		
Household Consumables Business	–	21,910
Total segment assets	1,115,558	1,348,881
Other intangible assets	45,957	58,213
Goodwill	145,535	186,074
Convertible bonds receivables	17,465	15,897
Promissory note receivable	27,500	29,500
Interests in associates	56,850	10,900
Investments at FVTPL	–	29,287
Equity investment at FVTOCI	116,982	–
Deferred tax assets	8,015	3,049
Bank balances and cash	69,491	138,545
Unallocated corporate assets	195,449	204,907
Consolidated total assets	1,798,802	2,025,253

5. Revenue and Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

Segment liabilities

	2023 HK$'000	2022 HK$'000
Continuing operations		
Concrete Business	428,636	710,891
Money Lending Business	1,111	2,382
Discontinued operation		
Household Consumables Business	–	5,826
Total segment liabilities	429,747	719,099
Tax payable	1,751	2,263
Borrowings	178,614	94,217
Promissory notes	7,679	49,254
Bonds payable	181,538	181,529
Deferred tax liabilities	5,742	7,260
Unallocated corporate liabilities	29,429	16,156
Consolidated total liabilities	834,500	1,069,778

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

- All assets are allocated to operating segments other than other intangible assets, goodwill, convertible bonds receivables, promissory note receivable, interests in associates, investments at FVTPL, equity investment at FVTOCI, deferred tax assets, bank balances and cash and unallocated corporate assets.

- All liabilities are allocated to operating segments other than tax payable, borrowings, promissory notes, bonds payable, deferred tax liabilities and unallocated corporate liabilities.

5. Revenue and Segment Information *(Continued)*

Other segment information

The following is an analysis of other segment information from continuing operations:

For the year ended 31 March 2023	Continuing operations Concrete Business HK$'000	Continuing operations Money Lending Business HK$'000	Continuing operations Unallocated Corporate Office HK$'000	Total HK$'000
Capital additions	4,527	–	–	4,527
Depreciation of property, plant and equipment	4,289	526	450	5,265
Impairment loss on trade, retention and other receivables	15,313	–	–	15,313
Impairment loss on loan receivables	–	34,803	–	34,803
Depreciation of right-of-use assets	2,275	812	3,937	7,024
Written-off of trade receivables	891	–	–	891

For the year ended 31 March 2022	Continuing operations Concrete Business HK$'000	Continuing operations Money Lending Business HK$'000	Continuing operations Unallocated Corporate Office HK$'000	Total HK$'000 (restated)
Capital additions	6,790	–	–	6,790
Depreciation of property, plant and equipment	9,104	525	455	10,084
Impairment loss on trade, retention and other receivables	1,649	–	–	1,649
Depreciation of right-of-use assets	2,943	812	2,501	6,256

These segment information has been included in the measures of segment results or assets.

5. Revenue and Segment Information *(Continued)*

Revenue from major products and services

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

	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
Sales of goods from Concrete Business	633,596	769,845
Interest income from Money Lending Business	26,775	34,066
	660,371	803,911

Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations is analysed based on the locations of the customers.

The following table provides an analysis of the Group's revenue from continuing operations generated from external customers by geographical market, irrespective of the origin of the goods.

	Revenue by geographical market	
	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
The PRC		
– Mainland China	633,596	769,845
– Hong Kong	26,775	34,066
	660,371	803,911

As at 31 March 2023, approximately HK$267,362,000 and HK$24,290,000 of the non-financial assets classified as non-current assets are located in the Mainland China and Hong Kong, respectively.

As at 31 March 2022, approximately HK$283,995,000, HK$16,062,000 and HK$32,095,000 of the non-financial assets classified as non-current assets are located in the Mainland China, the United Kingdom and Hong Kong, respectively.

Information about major customers

During the years ended 31 March 2023 and 2022, none of the Group's single customer attributed to more than 10% of the total revenue of the Group from continuing operations.

6. Other Income

	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
Bank interest income	**350**	349
Rental income	**2,049**	1,829
Interest income from convertible bonds receivables	**1,256**	1,244
Litigation income (Note 1)	**669**	1,053
Government grants/subsidies (Note 2)	**915**	20
Commission income	**5,760**	2,115
Sundry income	**1,646**	3,130
	12,645	9,740

Notes:

1. There were litigation claims initiated by the Group against certain trade debtors to demand for immediate repayment of the unsettled trade and retention receivables. Pursuant to the respective judgements of the courts, approximately HK$669,000 (2022: HK$1,053,000) in aggregate amount of interests, penalties and recharges of corresponding legal costs received from those trade debtors during the year ended 31 March 2023.

2. During the year ended 31 March 2023, the Group recognised government grants of HK$576,000 (2022: HK$nil) from the Employment Support Scheme under the Anti-Epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to the grants/subsidies.

7. Other Gains and Losses, Net

	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
Exchange differences	**1,061**	(532)
Loss on disposals of property, plant and equipment	**(13,767)**	(6,333)
Fair value loss on investments at FVTPL	**–**	(4,110)
Fair value gain (loss) on convertible bonds receivables	**312**	(755)
Impairment loss on goodwill	**(30,765)**	–
Impairment loss on trade, retention and other receivables	**(15,313)**	(1,649)
Impairment loss on loan receivables	**(34,803)**	–
Written-off of trade receivables	**(891)**	–
Realised gain on disposal of investments at FVTPL	**362**	–
Gain on disposal of subsidiaries	**–**	9,703
	(93,804)	(3,676)

8. Finance Costs

	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
Effective interest on bonds payable	8,611	7,225
Interest on borrowings	7,693	14,860
Interest on promissory notes	3,901	4,504
Interest on lease liabilities	402	651
	20,607	27,240

9. Income Tax Credit

	2023 HK$'000	2022 HK$'000 (restated)
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	(47)	–
– PRC Enterprise Income Tax ("PRC EIT")	(5,570)	(5,059)
	(5,617)	(5,059)
Over (under) provision in respect of prior years:		
– Hong Kong Profits Tax	(33)	–
– PRC EIT	1,553	3,244
	1,520	3,244
Deferred taxation:		
– Current year	6,320	2,065
	6,320	2,065
Income tax credit	2,223	250

(i) Hong Kong

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same in 2022.

9. Income Tax Credit *(Continued)*

(ii) Mainland China

PRC EIT is calculated at 25% (2022: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for subsidiaries of the Company which were recognised as a high and new technology enterprise ("HNTE") and in accordance with relevant laws and regulations in the PRC, the subsidiaries are entitled to the preferential tax rate of 15% (2022: 15%) corporate income tax rate for HNTE during the year.

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax.

Income tax credit for the year can be reconciled to the (loss) profit before income tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000 (restated)
(Loss) profit before income tax from continuing operations	**(47,271)**	26,664
Tax at statutory tax rates	**1,432**	(3,487)
Tax effect on share of results of associates	**(67)**	–
Tax effect of expenses not deductible for tax purpose	**835**	(2,090)
Tax effect of income not taxable for tax purpose	**96**	–
Tax effect on temporary differences not recognised	**(130)**	(69)
Tax effect of tax losses not recognised	**(1,463)**	–
Utilisation of tax losses previously not recognised	**–**	2,652
Over provision in respect of prior years	**1,520**	3,244
Income tax credit for the year from continuing operations	**2,223**	250

9. Income Tax Credit *(Continued)*

Pursuant to the PRC EIT Law,10% withholding income tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable.

Save as the Group's unrecognised tax losses as set out in Note 34, there was no other significant unprovided deferred taxation for both years at the end of respective reporting periods.

10. (Loss) Profit for the Year

	2023 **HK$'000**	2022 HK$'000 (restated)
Continuing operations		
The Group's (loss) profit for the year has been arrived at after charging:		
Directors' remuneration (Note a and 11)	**8,877**	8,451
Other staff costs	**30,429**	37,296
Retirement benefit scheme contributions (Note b)	**3,111**	3,527
Total staff costs	**42,417**	49,274
Auditor's remuneration		
– Audit services	**1,500**	1,530
– Non-audit services	**15**	15
Cost of inventories sold	**437,832**	581,424
Depreciation of property, plant and equipment	**5,265**	10,084
Depreciation of right-of-use assets (Note a)	**7,024**	6,256
Amortisation of other intangible assets	**12,255**	12,255

Note:

(a) Upon application of HKFRS 16, the lease of director's quarter was classified as the right-of-use assets. The depreciation of right-of-use assets related to the director's quarter for the year ended 31 March 2023 was approximately HK$2,873,000 (2022: HK$1,436,000) which is included in both the director's remuneration and depreciation of right-of-use assets. The rental payments for the year ended 31 March 2023 was approximately HK$3,000,000 (2022: HK$1,500,000).

(b) No forfeited contributions available for offset against existing contributions during the year (2022: nil).

11. Directors' and Employees' Emoluments

Directors

Details of the emoluments paid to the Directors for the years are as follows:

Year ended 31 March 2023

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Wong Wai Sing (Note (i))	4,118	3,000	18	7,136
Mr. Chan Kin Lung	120	840	18	978
Mr. Wong Jeffrey	195	–	10	205
Independent non-executive directors:				
Mr. Kwok Kam Tim	216	–	–	216
Mr. Li Kwok Tai, James	144	–	–	144
Mr. Tso Ping Cheong, Brian	198	–	–	198
	4,991	3,840	46	8,877

Year ended 31 March 2022

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Wong Wai Sing (Note (i))	4,118	1,500	18	5,636
Mr. Chan Kin Lung	120	840	18	978
Mr. Wong Jeffrey	130	1,131	18	1,279
Independent non-executive directors:				
Mr. Kwok Kam Tim	216	–	–	216
Mr. Li Kwok Tai, James	144	–	–	144
Mr. Tso Ping Cheong, Brian	198	–	–	198
	4,926	3,471	54	8,451

11. Directors' and Employees' Emoluments *(Continued)*

Directors *(Continued)*

Note:

(i) Mr. Wong Wai Sing is also the chief executive of the Company.

During the year ended 31 March 2023, the Group has been providing accommodation, which is leased from independent third party, to Mr. Wong Wai Sing at no charge. The estimated monetary value of the benefits in kind is approximately HK$3,000,000 (2022: HK$1,500,000). The depreciation of right-of-use assets in relation to these non-monetary benefit during the year ended 31 March 2023 amounted to approximately HK$2,872,600 (2022: HK$1,436,000) was included in the directors' remuneration as disclosed in Note 10 to the consolidated financial statements.

Fees, salaries, allowances and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Employees

Of the five individuals with the highest emoluments in the Group, two (2022: three) were Directors and whose emoluments are set out in the above details of the Directors' emoluments. The emoluments of the remaining three (2022: two) non-director individuals are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other allowances	**3,641**	2,603
Retirement benefit scheme contributions	**48**	183
	3,689	2,786

The emolument paid or payable to the remaining three (2022: two) non-director individuals were within the following bands:

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	**2**	1
HK$1,500,000 to HK$2,000,000	**1**	1

During both years, no emolument was paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. During both years, no arrangement under which Directors waived or agreed to waive any emoluments.

11. Directors' and Employees' Emoluments *(Continued)*

Senior Management

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK$1,500,001 to HK$2,000,000	**1**	1

12. Discontinued Operation

On 28 September 2022, the Group through its direct wholly-owned subsidiary, Star World International Holdings Limited, entered into a share purchase agreement with Spencer Goldsmith Ltd. (a connected person of the Group) in relation to the disposal of entire equity interest in S&J Distribution Limited, ("S&J", together with its subsidiaries are referred to as the "S&J Group") at a total consideration of British Pound ("GBP") 1,900,000 (equivalent to approximately HK$16,509,000) (the "S&J Disposal"). The S&J Group, represents the entire Household Consumables Business segment of the Group and upon completion of the S&J Disposal, the Group's Household Consumables Business would be discontinued.

The S&J Disposal was completed on 29 September 2022. Details of assets and liabilities disposed of, and the calculation of the loss on disposal are disclosed in Note 44(a).

12. Discontinued Operation *(Continued)*

The financial performance and cash flows of Household Consumables Business for the period from 1 April 2022 to the date of disposal and the year ended 31 March 2022 are classified and included as part of discontinued operation and have been presented separately as a single line item in the consolidated statement of profit or loss and other comprehensive income, details of which are as follows:

	2023 HK$'000	2022 HK$'000
Revenue	29,711	60,597
Cost of sales	(23,298)	(47,652)
Gross profit	6,413	12,945
Other income	137	460
Other gains and losses, net	545	(156)
Selling and distribution expenses	(66)	(971)
Administrative expenses	(2,920)	(6,780)
Finance costs	(5)	(23)
Profit before income tax from discontinued operation	4,104	5,475
Income tax expense	(862)	(1,096)
Profit after income tax from discontinued operation	3,242	4,379
Loss on disposal of subsidiaries (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	(12,968)	–
(Loss) Profit from discontinued operation	(9,726)	4,379
(Loss) Profit from discontinued operation attributable to:		
– Owners of the Company	(9,726)	4,379
Cash flow from discontinued operation		
Net cash generated from (used in) operating activities	1,234	(8,182)
Net cash generated from (used in) investing activities	4,700	(200)
Net cash used in financing activities	(8,508)	(186)
Effect of foreign exchange rate changes	(438)	(253)
Net decrease in bank balance and cash	(3,012)	(8,821)

13. Dividends

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2023 and 2022.

14. (Loss) Earnings per Share

The calculations of basic (loss) earnings per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operation are based on the (loss) profit for the year attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the year.

As at 31 March 2023 and 2022, the diluted (loss) earnings per share is the same as the basic (loss) earnings per share, as the Group has no dilutive potential ordinary shares during the years.

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

	2023 **HK$'000**	2022 HK$'000 (restated)
(Loss) profit for the year attributable to owners of the Company		
(i) Continuing and discontinued operations	**(54,774)**	31,293
(ii) Continuing operations	**(45,048)**	26,914
(iii) Discontinued operation	**(9,726)**	4,379
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,144,476,375**	3,499,098,293

15. Investment Properties

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**4,792**	4,987
Disposal	**(4,915)**	–
Realised gain on disposal	**510**	–
Exchange realignment	**(387)**	(195)
At the end of the year	**–**	4,792

Notes:

(a) The investment properties as at 31 March 2022 are located in the British under long term lease (over 50 years). The investment properties held under operating lease to earn rentals and/or for capital appreciation purposes is measured using the fair value model and are classified and accounted for as investment properties.

The Group leases out its investment properties under operating leases. The lease term is ranged from 3 to 6 years (2022: 3 to 6 years). All leases are on a fixed rental basis and do not include variable lease payments.

All the investment properties were disposed of during the year ended 31 March 2023.

(b) The fair value of the Group's investment properties as at 31 March 2022 had been arrived at on the basis of valuation carried out on that date by Asset Appraisal Limited ("AAL"), which are independent firm of qualified valuers having appropriate qualifications and experience in valuation of properties in relevant locations. The valuation, which conforms to The Royal Institution of Chartered Surveyors (the "RICS") Valuation-Global Standards published by the RICS, is arrived at with reference to market evidence of transaction prices of similar properties or calculated on the net income allowing for reversionary potential. For all investment properties, their current use equates to the highest and best use.

(c) The fair value of investment properties at 31 March 2022 classified as Level 3, was determined using market comparable approach. Valuation and significant unobservable inputs are as follows:

Valuation technique:	Market comparable approach
Significant unobservable inputs:	Price per square feet
Range:	approximately GBP115 per square feet to approximately GBP129 per square feet
Relating of unobservable inputs to fair value:	The higher the price, the higher the fair value, and vice versa.

16. Property, Plant and Equipment

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 April 2021	381	27,514	41,150	3,957	2,893	1,290	77,185
Additions	–	2,076	134	–	650	4,138	6,998
Disposals	–	(514)	(13,109)	–	(15)	–	(13,638)
Disposal of subsidiaries (Note 44(b))	(381)	–	–	–	(282)	–	(663)
Transfer	–	273	182	–	–	(455)	–
Exchange realignment	–	1,282	2,282	–	42	(323)	3,283
At 31 March 2022	–	30,631	30,639	3,957	3,288	4,650	73,165
Additions	–	227	3,334	–	177	1,004	4,742
Disposals	–	–	(19,564)	–	–	–	(19,564)
Disposal of subsidiaries (Note 44(a))	–	(901)	–	–	(552)	–	(1,453)
Transfer	–	2,122	–	–	–	(2,122)	–
Exchange realignment	–	(3,172)	(3,581)	–	(299)	(345)	(7,397)
At 31 March 2023	–	28,907	10,828	3,957	2,614	3,187	49,493
ACCUMULATED DEPRECIATION							
At 1 April 2021	129	3,430	4,056	212	797	–	8,624
Charge for the year	4	2,491	6,504	848	585	–	10,432
Elimination on disposals	–	(415)	(5,460)	–	(10)	–	(5,885)
Elimination on disposal of subsidiaries (Note 44(b))	(133)	–	–	–	(244)	–	(377)
Exchange realignment	–	319	850	–	14	–	1,183
At 31 March 2022	–	5,825	5,950	1,060	1,142	–	13,977
Charge for the year	–	1,215	2,723	848	586	–	5,372
Elimination on disposals	–	–	(5,093)	–	–	–	(5,093)
Elimination on disposal of subsidiaries (Note 44(a))	–	(349)	–	–	(212)	–	(561)
Exchange realignment	–	(777)	(1,654)	–	(91)	–	(2,522)
At 31 March 2023	–	5,914	1,926	1,908	1,425	–	11,173
NET CARRYING VALUE							
At 31 March 2023	–	22,993	8,902	2,049	1,189	3,187	38,320
At 31 March 2022	–	24,806	24,689	2,897	2,146	4,650	59,188

17. Right-of-use Assets and Lease Liabilities

(a) Right-of-use assets

Disclosures of lease-related items:	2023 HK$'000	2022 HK$'000
At 31 March:		
Right-of-use assets		
Land and buildings	4,990	12,420
Motor vehicles	–	565
	4,990	12,985
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
Less than 1 year	6,668	10,715
Between 1 and 2 years	1,005	4,321
Between 2 and 5 years	1,005	2,352
	8,678	17,388
Depreciation charge of right-of-use assets		
Land and buildings	7,024	6,930
Motor vehicles	65	194
	7,089	7,124
Lease interests	407	674
Total cash outflow for leases	7,649	7,825
Additions to right-of-use assets	–	9,598
Disposals of right-of-use assets (Note 44(a))	420	–

The Group leases various land use rights and properties. Lease agreements are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purpose.

17. Right-of-use Assets and Lease Liabilities *(Continued)*

(b) Lease liabilities

	2023		2022	
	Lease payments HK$'000	**Present value of lease payments HK$'000**	Lease payments HK$'000	Present value of lease payments HK$'000
Within one year	**6,668**	**6,532**	10,715	10,246
In the second to fifth years, inclusive	**2,010**	**1,941**	6,673	6,468
	8,678		17,388	
Less: Future finance charges	**(205)**		(674)	
Present value of lease liabilities	**8,473**	**8,473**	16,714	16,714
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(6,532)**		(10,246)
Amount due for settlement after 12 months		**1,941**		6,468

The weighted average incremental borrowing rate applied to lease liabilities range from 4.2% to 5.5% (2022: 4.2% to 5.5%).

18. Other Intangible Assets

	Customer Network HK$'000
COST	
At 1 April 2021	94,477
Exchange realignment	(340)
At 31 March 2022	**94,137**
Disposal of subsidiaries (Note 44(a))	**(7,096)**
Exchange realignment	**(1,254)**
At 31 March 2023	**85,787**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2021	23,285
Charge for the year	12,973
Exchange realignment	(334)
At 31 March 2022	**35,924**
Charge for the year	**12,255**
Disposal of subsidiaries (Note 44(a))	**(7,096)**
Exchange realignment	**(1,253)**
At 31 March 2023	**39,830**
NET CARRYING VALUE	
At 31 March 2023	**45,957**
At 31 March 2022	58,213

Customer Network represents a long and close business relationship with customers of S&J and Alpha Youth Limited (together with its subsidiaries, the "Alpha Youth Group"), which was acquired as part of the Group's acquisitions of S&J and Alpha Youth Group in prior years; and has been allocated to the Household Consumables Business CGU and Concrete Business CGU respectively. The Customer Network of S&J and Alpha Youth Group are amortised on straight-line basis over 10 years and 7 years respectively. The Customer Network allocated to the Household Consumables Business was disposed through the S&J Disposal which was completed during the year ended 31 March 2023.

Particulars regarding impairment testing on other intangible assets are set out in Note 20.

19. Goodwill

	Concrete Business CGU HK$'000	Household Consumables Business CGU HK$'000	Money Lending Business CGU HK$'000	Total HK$'000
COST				
At 1 April 2021 and 31 March 2022	154,505	9,774	21,795	186,074
Disposal of subsidiaries (Note 44(a))	–	(9,774)	–	(9,774)
At 31 March 2023	154,505	–	21,795	176,300
ACCUMULATED IMPAIRMENT LOSSES				
At 1 April 2021 and 31 March 2022	–	–	–	–
Impairment loss recognised	28,684	–	2,081	30,765
At 31 March 2023	28,684	–	2,081	30,765
NET CARRYING VALUE				
At 31 March 2023	125,821	–	19,714	145,535
At 31 March 2022	154,505	9,774	21,795	186,074

Goodwill arising in prior years related to (i) the acquisition of S&J and has been allocated to the Household Consumables Business CGU; (ii) the acquisition of Chengxin Finance Limited ("Chengxin Finance") and has been allocated to the Money Lending Business CGU; and (iii) the acquisition of Alpha Youth Group and has been allocated to the Concrete Business CGU.

Goodwill allocated to the Household Consumables Business was disposed of on 29 September 2022. Further details are set out in Note 44(a).

None of the goodwill of the CGUs recognised is expected to be deductible for income tax purposes.

Particulars regarding impairment testing on goodwill are set out in Note 20.

20. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing as at 31 March 2023 and 2022, other intangible assets and goodwill set out in Notes 18 and 19 respectively have been allocated to two individual CGUs, comprising a subsidiary in Money Lending Business and subsidiaries in Concrete Business; while for the year ended 31 March 2022 have been allocated to the three individual CGUs, including the above two individual CGUs and a subsidiary in Household Consumables Business which was disposed of during the year ended 31 March 2023. The carrying amounts of other intangible assets and goodwill as at 31 March 2023 and 2022 allocated to these units are as follows:

	Customer Network with finite useful life		Goodwill	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Household Consumables Business CGU (Unit A)	**–**	–	**–**	9,774
Money Lending Business CGU (Unit B)	**–**	–	**19,714**	21,795
Concrete Business CGU (Unit C)	**45,957**	58,213	**125,821**	154,505
	45,957	58,213	**145,535**	186,074

During the year ended 31 March 2023, the Group determines that there is no impairment of other intangible assets in respect of the Concrete Business CGU. There are impairment of goodwill in respect of the Money Lending Business CGU and Concrete Business CGU of approximately HK$2,081,000 and HK$28,684,000, respectively, for the year ended 31 March 2023 (2022: HK$Nil). The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit as at 31 March 2022 has been determined based on a value-in-use calculation with reference to a professional valuation performed by Asset Appraisal Limited ("AAL"), an independent firm of professionally qualified valuers. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2%. The pre-tax rate used to discount the forecast cash flows is 18.97%.

During the year ended 31 March 2023, the whole Household Consumables Business was disposed at consideration of approximately HK$16,200,000 in total. Further details are set out in Note 44(a).

20. Impairment Testing on Other Intangible Assets and Goodwill *(Continued)*

Unit B

The recoverable amount of this unit as at 31 March 2023 has been determined to be approximately HK$68,267,000 based on the value-in-use calculation (2022: value-in-use calculation) with reference to a professional valuation performed by AAL (2022: AAL). The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2022: five-year period). Cash flows beyond the projection period are extrapolated using zero growth rate (2022: 0%). The pre-tax rate used to discount the forecast cash flows is 20.44% (2022: 18.79%).

Based on the impairment assessment of Money Lending Business CGU, the goodwill allocated to Money Lending Business CGU was determined to be impaired. An impairment loss of approximately HK$2,081,000 (2022: HK$nil) against goodwill was recognised in consolidated profit or losses under other gains and losses, net in the current year. The impairment loss recognised during the year ended 31 March 2023 was mainly attributable to the unfavourable changes in estimated discount rate and increase in operating cost over the five-year forecast period due to the increase in competition among other market participants.

Unit C

The recoverable amount of this unit as at 31 March 2023 and 2022 have been determined based on a value-in-use calculation with reference to a professional valuation performed by Kroll (HK) Limited. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2022: five-year period). Cash flows beyond the projection period are extrapolated using estimated growth rate of 2.5% (2022: 3%). The pre-tax rate used to discount the forecast cash flows is 18.2% (2022: 17.3%).

During the interim period ended 30 September 2022, the recoverable amount of this unit has been determined to be approximately RMB194,790,000 (equivalent to approximately HK$215,371,000) based on the value-in-use calculation with reference to a professional valuation performed by AAL. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3%. The pre-tax rate used to discount the forecast cash flows is 17.95%.

20. Impairment Testing on Other Intangible Assets and Goodwill *(Continued)*

Unit C *(Continued)*

Based on the impairment assessment of Concrete Business CGU during the interim period ended 30 September 2022, the goodwill allocated to Concrete Business CGU was determined to be impaired. An impairment loss of approximately HK$28,684,000 against goodwill was recognised in consolidated profit or losses under other gains and losses, net during the interim period ended and are not subsequently reversed. The impairment loss recognised during the interim period ended 30 September 2022 was mainly attributable to the fall in annual growth rate over the five-year forecast period due to the slowdown of real estate development in Hainan Province and the operation disruption resulted from the quarantine and lockdown measures implemented by the local authority of Hainan Province.

Based on the impairment assessment of Concrete Business CGU during the year ended 31 March 2023 indicated that, saved for the HK$28,684,000 impairment loss against goodwill already recorded in the first half of the financial year 2022/2023, there was no impairment at 31 March 2023.

The basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risks relating to industries in relation to the respective CGUs.

21. Interest in Associates

	2023 **HK$'000**	2022 HK$'000
Cost of investments		
– unlisted	**58,233**	11,094
Share of post-acquisition profits and other comprehensive income, net of dividend received	**(1,383)**	(194)
	56,850	10,900

21. Interest in Associates *(Continued)*

Particulars of the associates at 31 March 2023 and 2022 are set out below, of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Place of incorporation and business	Particular of registered capital	Attributable equity interest held by the Group as at 31 March 2023 (%)	2022 (%)	Principal activity
海南叁豐小額貸款有限公司 Hainan San Fong Micro-Credit Company Limited* ("Hainan San Fong")	The PRC	Renminbi ("RMB") 100,000,000	30%	30%	Provision of loans to small and medium enterprises in the PRC
凱沃國際貿易(海南)有限公司 Kaiwo International Trade (Hainan) Company Limited* ("Kaiwo International")	The PRC	RMB100,000,000	20%	20%	Trading of imported motor vehicles in Hainan Province

* the English names represent management's best effort at translating the Chinese names of the companies as no English names have been registered. English translated name is for identification purpose only.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements which have been adjusted for any differences in accounting policies.

	Hainan San Fong		Kaiwo International	
As at 31 March	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Current assets	**115,072**	36,338	**176,224**	23,979
Non-current assets	**113**	127	**1,229**	–
Current liabilities	**(418)**	(131)	**(65,352)**	(25,129)

	Hainan San Fong		Kaiwo International	
For the year/period ended 31 March	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Revenue	**4,808**	842	**28,015**	–
Profit (loss) for the year/period	**1,140**	(647)	**(3,191)**	(1,134)
Other comprehensive income for the year/period	**–**	–	**690**	–
Total comprehensive income (loss) for the year/period	**1,140**	(647)	**(2,501)**	(1,134)

21. Interest in Associates *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in associates recognised in the consolidated financial statements is set out below:

	Hainan San Fong		Kaiwo International	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net assets (liabilities) of associates	**114,767**	36,334	**112,101**	(1,150)
Group's effective interest	**30%**	30%	**20%**	20%
Group's share of net assets of associates	**34,430**	10,900	**22,420**	–

For the year ended 31 March 2022, Kaiwo International was suffered from losses and a net liabilities was recognised as at 31 March 2022, thus the carrying amount of investments in Kaiwo International was zero as at 31 March 2022. The unrecognised share of loss from Kaiwo International for the year ended 31 March 2022, amounting to approximately HK$227,000 was subsequently recognised during 31 March 2023.

22. Equity Investment at Fair Value Through Other Comprehensive Income

	2023	2022
	HK$'000	HK$'000
Unlisted equity investment	**116,982**	–

The above unlisted equity investment represents the 13.4% Class A shares equity interest of Wisdom Moon (BVI) Limited ("Wisdom Moon"), a private entity incorporated in the BVI, which is principal engaged in investment holding which was acquired on 13 January 2023 at total consideration of United State Dollar ("US$")15,000,000 (equivalent to approximately HK$117,000,000). The Group designated its investments in Wisdom Moon at FVTOCI (non-recycling) upon adoption of HKFRS 9, as the investment is held for long term strategic purposes. No dividends were received on this investment during the year (2022: HK$nil).

As at 31 March 2023, the Group engages independent professional valuer to perform the valuation of the equity investment. The fair value of the equity investment has been determined by income-based approach valuation technique using discounted cash flow method. Cash flows beyond the projection period are extrapolated using estimated growth rate of 2%. The pre-tax rate used to discount the forecast cash flow is 24.04%.

Changes in fair value of the above equity investment is recognised in other comprehensive income and accumulated within the FVTOCI reserve within equity. The Group transfers amount from FVTOCI reserve to accumulated losses when the relevant equity investment is derecognised.

Should the discount rate increase or decrease by 1%, the fair value of 13.4% Class A shares equity interest in Wisdom Moon would be decreased by approximately HK$4,163,000 or increased by approximately HK$4,949,000. Should the growth rate increase or decrease by 1%, the fair value of 13.4% Class A shares equity interest in Wisdom Moon would be increased by approximately HK$1,599,000 or decreased by approximately HK$947,000.

23. Inventories

	2023 HK$'000	2022 HK$'000
At cost:		
Raw materials	**4,859**	8,715
Work in progress	**1,199**	445
Fuel and consumables	**3,093**	3,391
Finished goods	**–**	5,113
	9,151	17,664

24. Loan Receivables

	2023 HK$'000	2022 HK$'000
Loan receivables		
– Collateralised	**53,000**	68,000
– Non-collateralised	**166,346**	173,670
	219,346	241,670
Accrued interest receivables	**35,422**	35,448
	254,768	277,118
Less: impairment loss recognised	**(89,940)**	(55,214)
	164,828	221,904

The loan receivables of the Group's Money Lending Business are all denominated in HK$. The initial loan periods granted to customers are mainly within two years. Certain loan receivables are collateral-backed by properties in Hong Kong and the Mainland China.

The loans provided to customers bore fixed monthly interest rate ranging from 8% to 30% (2022: 12% to 30%) per annum. The effective interest rates of the above loan receivables ranging from 8% to 35% (2022: 13% to 35%) per annum.

The ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement date as set out in the relevant contracts is as follows:

	2023 HK$'000	2022 HK$'000
0-90 days	**–**	–
91-180 days	**–**	–
181-365 days	**3,700**	21,800
Over 365 days	**139,643**	170,800
	143,343	192,600

24. Loan Receivables *(Continued)*

The movement of allowance for doubtful debts in respect of loan receivables is as follows:

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**55,214**	55,214
Impairment loss recognised, net	**34,803**	–
Written-off	**(77)**	–
At the end of the year	**89,940**	55,214

The management of the Group reviews and assesses for impairment individually based on customers' repayment history and the fair values of the collaterals, if any. As at 31 March 2023, approximately HK$34,803,000 impairment loss was recognised (2022: HK$nil) on loan receivables and accrued interest on an individual assessment basis. Certain loan receivables amounting to HK$nil (2022: HK$12,641,000) are guaranteed by a related party.

As at 31 March 2023, loan receivables that were past due but not impaired were related to customers that have made regular payments to the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

25. Trade, Retention and Other Receivables and Prepayments

	2023 HK$'000	2022 HK$'000
Trade receivables, gross	**373,560**	402,536
Less: impairment loss recognised	**(21,233)**	(16,715)
Trade receivables, net	**352,327**	385,821
Retention receivables, gross	**437,899**	438,501
Less: impairment loss recognised	**(20,377)**	(11,721)
Retention receivables, net	**417,522**	426,780
Bills receivables	**15,678**	33,021
Prepayments and deposits	**301,325**	301,461
Other receivables	**6,866**	90,172
Trade, retention and other receivables and prepayments	**1,093,718**	1,237,255
Analysed for reporting purposes as:		
Current	**968,751**	1,157,182
Non-current		
– Retention receivables	**124,967**	80,073
	1,093,718	1,237,255

Note:

(i) The trade and other receivables are denominated in the functional currencies of the relevant group entities.

25. Trade, Retention and Other Receivables and Prepayments *(Continued)*

Trade receivables

The Group generally allows an average credit period of 30 to 90 days (2022: 30 to 90 days) to its trade customers. However, certain portion of the trade receivables from Concrete Business (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers.

The ageing analysis of the Group's trade receivables (net of retention portion and impairment losses) based on the invoice date at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
0-30 days	**52,463**	62,494
31-60 days	**15,431**	51,701
61-90 days	**27,362**	45,780
Over 90 days	**257,071**	225,846
	352,327	385,821

All bills receivables were aged within 180 days as at the years ended 31 March 2023 and 2022.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on historical credit records of these customers.

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward-looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

	Current HK$'000	**1-30 days past due** HK$'000	**31-60 days past due** HK$'000	**61-90 days past due** HK$'000	**Over 90 days past due** HK$'000	**Total** HK$'000
At 31 March 2023						
Weighted average expected loss rate	**1.22%**	**1.95%**	**2.12%**	**2.13%**	**7,58%**	
Receivable amount	**53,425**	**16,021**	**27,852**	**23,053**	**253,209**	**373,560**
Loss allowance	**(650)**	**(312)**	**(590)**	**(490)**	**(19,191)**	**(21,233)**
At 31 March 2022						
Weighted average expected loss rate	1.10%	1.22%	0.83%	1.00%	7.07%	
Receivable amount	63,187	52,342	46,161	33,332	207,514	402,536
Loss allowance	(693)	(641)	(381)	(332)	(14,668)	(16,715)

25. Trade, Retention and Other Receivables and Prepayments *(Continued)*

Trade receivables *(Continued)*

The movement of allowance for doubtful debts in respect of trade receivables is as follows:

	2023 **HK$'000**	2022 HK$'000
At the beginning of the year	**16,715**	15,096
Impairment loss recognised, net	**5,783**	1,691
Bad debts written off	**(49)**	(693)
Exchange realignment	**(1,216)**	621
At the end of the year	**21,233**	16,715

Trade receivables that were neither past due nor impaired related to customers for whom were no recently history of default.

Impaired trade receivables were mainly due from customers with long outstanding balances and the management of the Group considered the recoverability is remote as the related customers were in financial difficulties or have prolonged delay in repayment. The Group did not hold any material collateral over those balances.

At 31 March 2023, trade receivables which have been impaired previously, amounting to approximately HK$49,000 (2022: HK$693,000) were individually determined to be written off. These receivables have been long outstanding and management assessed them to be irrecoverable.

Retention receivables

The Group's retention receivables represent certified contract payments in respect of goods delivered, for which 20% to 30% of the contract value are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects, which the Group's goods satisfactorily passing inspection and is consistent with market practice. In the opinion of the management, the retention receivables to be received after 1 year are classified as non-current assets in the consolidated statements of financial position since it is not expected to realise the retention receivables in the Group's normal operating cycle.

As at 31 March 2023, retention receivables amounting to approximately HK$417,522,000 (2022: HK$426,780,000), which are entitled by the Group subject to the Group's goods satisfactorily passing inspection as the Group's entitlement to this final payment is conditional on the Group's goods satisfactorily passing inspection.

25. Trade, Retention and Other Receivables and Prepayments *(Continued)*

Retention receivables *(Continued)*

The ageing analysis of the Group's retention receivables (net of impairment losses) based on the revenue recognition date at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
0-30 days	**297,899**	279,370
31-60 days	**1,246**	10,678
61-90 days	**5,932**	18,200
Over 90 days	**112,445**	118,532
	417,522	426,780

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all retention receivables. To measure the ECL, retention receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward-looking information.

The following table provides information about the exposure to credit risk for retention receivables which are assessed based on provision matrix as at 31 March 2023 within lifetime ECL (not credit impaired).

	Current HK$'000	1-30 days past due HK$'000	31-60 days past due HK$'000	61-90 days past due HK$'000	Over 90 days past due HK$'000	Total HK$'000
At 31 March 2023						
Weighted average expected loss rate	**1.42%**	**2.01%**	**1.80%**	**2.18%**	**11.95%**	
Receivable amount	**290,556**	**2,142**	**9,803**	**1,421**	**133,977**	**437,899**
Loss allowance	**(4,119)**	**(43)**	**(176)**	**(31)**	**(16,008)**	**(20,377)**
At 31 March 2022						
Weighted average expected loss rate	0.27%	0.78%	0.33%	0.44%	8.34%	
Receivable amount	266,929	13,256	10,713	18,281	129,322	438,501
Loss allowance	(711)	(104)	(35)	(81)	(10,790)	(11,721)

The movement of loss allowance in respect of retention receivables was as follows:

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**11,721**	11,180
Impairment loss recognised	**9,495**	69
Exchange realignment	**(839)**	472
At the end of the year	**20,377**	11,721

26. Promissory Note Receivable

	2023 HK$'000	2022 HK$'000
Promissory note receivable		
– Current	**27,500**	29,500

On 10 March 2021, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser") to dispose of entire equity interests of DigiSmart (Group) Limited, at a consideration of HK$40,000,000 in total. In order to settle the purchase price, the Purchaser issued a HK$ denominated promissory note with principal a sum of HK$36,000,000 on 31 March 2021. The promissory note is guaranteed by the Purchaser, interest free and being matured on 30 March 2022.

During the year ended 31 March 2023, the principal amount of HK$2,000,000 (2022: HK$6,500,000) had been repaid by the promissory note issuer. As at 31 March 2023, the promissory note issuer is in the process of negotiation with the Company and that all the principal has been repaid on or before 30 June 2024. The directors of the Company considered there is no recoverability issue over the remaining outstanding promissory note receivable.

27. Convertible Bonds Receivables

On 28 July 2020, a directly wholly-owned subsidiary of the Company, Golden Star Group Holdings Limited ("Golden Star"), entered into a subscription agreement with ARTE Investment Group Limited ("ARTE Investment"), a private company incorporated in the BVI, to subscribe an unlisted 8% coupon convertible bonds (the "8% Convertible bonds") issued by ARTE Investment, at in the principal amount of US$2,000,000 maturing on the fifth anniversary of the date of issue (the "Maturity Date"). The subscription of the Convertible Bonds was subsequently completed on 31 July 2020.

The 8% Convertible Bonds entitle the holder to convert the whole or part of the principal amount at any time preceding the Maturity date of the Convertible Shares to be issued by the Issuer.

27. Convertible Bonds Receivables *(Continued)*

The 8% Convertible Bonds carry interest of 8% per annum. The first half of the interest amount (i.e. 4% per annum) shall be payable in arrears every twelve months and the remaining half of the interest amount (i.e. another 4% per annum) shall be accumulated and payable in a lump sum upon (i) the fourth anniversary of the date of issue (the "First Redemption Date") or (ii) the Maturity Date or (iii) the date of early redemption or conversion, whichever is earlier. No interest will be payable upon the exercise of the Conversion Rights. The outstanding 8% Convertible Bonds will be redeemed at 100% of the principal amount and the interest amount accumulated on or before the fifth business day after (i) the First Redemption Date at the discretion of the bondholder; or (ii) the Maturity Date. The 8% Convertible Bonds are denominated in US$.

As at 31 March 2023 and 2022, the 8% convertible bonds receivable has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

Details of movement is set out below:

	2023 **HK$'000**	2022 HK$'000
At the beginning of the year	**15,897**	16,032
Interest income	**1,256**	1,244
Interest received	**–**	(624)
Change in fair value recognised in profit of loss	**312**	(755)
At the end of the year	**17,465**	15,897

28. Investments at Fair Value Through Profit or Loss ("FVTPL")

	2023 **HK$'000**	2022 HK$'000
Investments at FVTPL		
– Interest in a limited partnership (Note (i))	–	29,287
	–	29,287
Analysis as		
– Current	–	29,287

Note:

(i) The fair value of the interest in a limited partnership as at 31 March 2022 had been arrived at on the basis of valuation carried out on the date by the management.

Details of the fair value measurement are set out in Note 43.

Changes in fair values of investments at FVTPL are recognised in other gains and losses, net in the consolidated statement of profit and loss and other comprehensive income.

	Equity securities HK$'000	**Limited partnership** HK$'000	**Total** HK$'000
At 1 April 2021	11,408	21,496	32,904
Purchases/Capital paid	9,001	18,853	27,854
Disposals/Distribution	(22,414)	(4,947)	(27,361)
Changes in fair value	2,005	(6,115)	(4,110)
At 31 March 2022 and 1 April 2022	–	29,287	29,287
Disposals	**–**	**(29,649)**	**(29,649)**
Net realised gains recognised in profit or loss	**–**	**362**	**362**
At 31 March 2023	**–**	**–**	**–**

29. Bank Balances and Cash

(a) Bank balances and cash

	2023 **HK$'000**	2022 HK$'000
Bank balances and cash	**69,491**	138,545
Less: Restricted cash (Note)	**(54,399)**	(123,479)
	15,092	15,066

Note:

As at 31 March 2023, restricted cash of the Group pledged to the banks amounted to approximately HK$54,399,000 (2022: HK$123,479,000) for the issuance of irrevocable standby letter of credit in favor of third parties. Restricted cash is presented within "investing activities" in the consolidated statement of cash flows.

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less.

	2023 **HK$'000**	2022 HK$'000
Restricted cash, cash at bank and on hand were denominated in:		
– Renminbi ("RMB")	**67,821**	131,041
– US$	**85**	1,890
– HK$	**1,585**	1,404
– GBP	**–**	4,210
	69,491	138,545

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

The Group's bank balances carry interests at market rate per annum ranging as follows:

	2023	2022
Bank balances	**0.00% to 0.30%**	0.00% to 0.30%

29. Bank Balances and Cash *(Continued)*

(b) Reconciliation of liabilities from financing activities

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

	Amount due to a related party HK$'000	Borrowings HK$'000	Promissory notes HK$'000 (Note 32)	Lease liabilities HK$'000	Bonds payable HK$'000 (Note 33)	Total HK$'000
At 1 April 2021	1,409	142,697	44,750	14,002	155,872	358,730
Changes from financing cash flows:						
Repayment of borrowings	–	(118,506)	–	–	–	(118,506)
Proceeds from borrowings	–	60,000	–	–	–	60,000
Proceeds from bonds payable	–	–	–	–	25,000	25,000
Repayment of lease liabilities	–	–	–	(7,825)	–	(7,825)
Interest paid	–	(9,873)	–	–	(6,568)	(16,441)
Total changes from financing cash flows	–	(68,379)	–	(7,825)	18,432	(57,772)
Other changes:						
Interest expenses	–	14,860	4,504	674	7,225	27,263
Increase in lease liabilities from entering into new leases during the year	–	–	–	9,598	–	9,598
Other changes	–	5,039	–	265	–	5,304
Total other changes	–	19,899	4,504	10,537	7,225	42,165
At 31 March 2022	1,409	94,217	49,254	16,714	181,529	343,123
Changes from financing cash flows:						
Proceeds from borrowings	–	85,349	–	–	–	85,349
Repayment of promissory note	–	–	(31,800)	–	–	(31,800)
Repayment of lease liabilities	–	–	–	(7,649)	–	(7,649)
Interest paid	–	(1,522)	–	–	(8,602)	(10,124)
Total changes from financing cash flows	–	83,827	(31,800)	(7,649)	(8,602)	35,776
Other changes:						
Interest expenses	–	7,693	3,901	407	8,611	20,612
Fair value of promissory note issued for acquisition of equity investment	–	–	7,524	–	–	7,524
Decrease in lease liabilities from disposal of subsidiaries	–	–	–	(350)	–	(350)
Other changes	(1,409)	(7,123)	(21,200)	(649)	–	(30,381)
Total other changes	(1,409)	570	(9,775)	(592)	8,611	(2,595)
At 31 March 2023	–	178,614	7,679	8,473	181,538	376,304

30. Trade and Other Payables and Accruals

	2023 HK$'000	2022 HK$'000
Trade payables (Note a)	**239,016**	345,748
Bills payable	**100,524**	246,606
Contract liabilities (Note b)	**5,936**	16,554
Other payables and accruals	**105,227**	108,224
Amount due to controlling shareholder (Note c)	**–**	1,409
	450,703	718,541

Notes:

(a) The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
0-30 days	**80,163**	61,358
31-60 days	**26,810**	75,101
61-90 days	**29,329**	61,115
Over 90 days	**102,714**	148,174
	239,016	345,748

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

(b) At 31 March 2023 and 2022, customer deposits are contract liabilities and the Group does not expect to refund any of the advance payments. Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives a deposit from customers when they sign the concrete supply agreement. The deposit is negotiated on a case by case basis with customers. These deposits are recognised as a contract liability until the revenue recognised exceeds the amount of the deposit.

Movements in contract liabilities

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**16,554**	16,395
Increase in contract liabilities as a result of receipt of customer deposits during the year	**1,178**	3,780
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	**(11,055)**	(4,006)
Exchange realignment	**(741)**	385
At the end of the year	**5,936**	16,554

(c) The amount was unsecured, interest free and repayable on demand.

31. Borrowings

	2023 Maturity	2023 HK$'000	2022 Maturity	2022 HK$'000
Current				
Secured				
– Factoring loans (Note (i))	2023	85,560		–
Unsecured				
– Current portion of Loans (Note (ii))	2024	31,597		–
		117,157		–
Non-current				
Unsecured – Loans (Note (ii))	2025-2029	61,457	2024-2029	94,217
Total borrowings		178,614		94,217

The current and non-current borrowings were scheduled to repay as follows:

	2023 HK$'000	2022 HK$'000
Analysed into:		
On demand or within one year	117,157	–
In the second year	–	35,329
In the third to fifth year, inclusive	49,030	20,940
After five years	12,427	37,948
	178,614	94,217

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements with no repayment on demand clause contained.

Notes:

(i) During the year ended 31 March 2023, an indirectly wholly-owned subsidiary of the Company entered into several factoring agreements with independent third parties for recourse factoring loans amounting to approximately RMB74,900,000 (equivalent to approximately HK$85,560,000). The factoring loans are denominated in RMB and bear interest at rates ranged from 2.48% to 6.40% per annum. As at 31 March 2023, all the outstanding factoring loans were aged within one year and are secured by trade receivables amounted to approximately HK$107,455,000.

(ii) Alpha Youth Group entered into several loan agreements with the ex-shareholder and companies associated with the ex-shareholder, to convert the amount due to them into unsecured long term loans (the "Loans") in previous years.

The Loans are denominated in RMB and are unsecured and mature between 2 to 10 years from the date of the loan agreements. Initially the Loans bear fixed rate interest of 1% per annum and payable annually. The weighted average effective interest rate of the Loans is 6.96% per annum. During the year ended 31 March 2021, the interest rate was modified from 1% per annum to nil. There is no early redemption of the Loans during the years ended 31 March 2023 and 2022.

32. Promissory Notes

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**49,254**	44,750
Fair value of promissory note issue for acquisition of equity investment	**7,524**	–
Redemption during the year	**(31,800)**	–
Effective interest expenses	**3,901**	4,504
Transfer to other payable	**(21,200)**	–
At the end of the year	**7,679**	49,254
Analysed for reporting purposes as:		
Current liabilities	**–**	49,254
Non-current liabilities	**7,679**	–
	7,679	49,254

The unsecured promissory note which bears interest at 2% per annum issued by the Company in related to the acquisition of remaining 80% equity interest in Alpha Youth Group was matured during the year ended 31 March 2023. The Company had repaid principal together with accrued interest amounted to HK$31,800,000 to one of the promissory note holders at maturity. However, at maturity date and up to the year ended 31 March 2023, the Company is unable to contact one of the promissory note holders based on the contact information registered in the register of promissory note of the Company and the outstanding principal and accrued interest are then classified as other payable under the current liabilities as at 31 March 2023.

On 13 January 2023, Star World International Holdings Limited, a direct wholly-owned subsidiary of the Company (the "Issuer") issued promissory note with principal amount of US$1,000,000 (equivalent to approximately HK$7,800,000) to an independent third party vendor as part of the consideration for acquisition of 13.4% of Class A shares equity interest of Wisdom Moon.

The promissory note with terms of 24 months from the date of issuance is redeemable at 100% on maturity date and bears interest at 8% per annum which is payable annually in arrears. The share certificate in respect of 0.089 shares in the name of the Issuer has been retained by the vendor until redemption of the promissory note.

The Issuer has the discretion to repay all or part of the principal balance at any time prior to the maturity date by giving 7 days' prior written notice to holders of the promissory note; while holder of the promissory note has no right to require the Issuer to early redeem the promissory note. The fair value effect of the early redemption options is insignificant.

The promissory note is initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. The effective interest rate of the promissory note is 9.60% per annum.

33. Bonds Payable

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**181,529**	155,872
Issuance of bonds	**–**	25,000
Interest expenses incurred	**8,611**	7,225
Interest paid	**(8,602)**	(6,568)
At the end of the year	**181,538**	181,529
Analysed for reporting purposes as:		
Current liabilities	**25,826**	25,734
Non-current liabilities	**155,712**	155,795
	181,538	181,529

7-year Bond 2028

On 10 March 2021, the Company issued seven-year corporate bonds with a principal amount of US$20,000,000 (equivalent to approximately HK$154,752,000) to an independent third party at an issue price equal to the face value of the bonds (the "7-year Bond 2028"). The 7-year Bond 2028 is unsecured and is denominated in US$. The principal of the 7-year Bond 2028 bears interest at rate of 4.2% per annum and interest is payable semi-annually in arrears.

The Company may at any time after the fifth anniversary of the issue date of the 7-year Bond 2028 and before the maturity date to early redeem the 7-year Bond 2028 payable, with the prior written consent from the bond holder provided that not less than 30 days advance notice of such redemption intention shall have been given to the bond holders. The redemption should be in integral multiples of US$5,000,000 and where the outstanding principal amount of the 7-year Bond 2028 to be redeemed is less than US$10,000,000, any early redemption shall be made in whole, at 100% of the principal amount and the interest accrued up to the day of such early redemption.

At the end of the reporting period, the carrying amount of the 7-year Bond 2028 comprised of principal amount and accrued interest amounted to US$20,000,000 (2022: US$20,000,000) and US$50,630 (2022: US$52,700) respectively.

On 6 May 2022, the Group entered into share charge agreements with the 7-year Bond 2028 holder in which the entire share capital of Alpha Youth Limited and Grace Wisdom Holdings Limited were secured against the 7-year Bond 2028 until its maturity.

33. Bonds Payable *(Continued)*

3-year Bond 2024

On 15 November 2021, a direct wholly-owned subsidiary of the Company issued a three-year unlisted bond with a principal amount of HK$25,000,000 to an independent third party at an issue price equal to the face value of the bonds (the “3-year Bond 2024”). The 3-year Bond 2024 is unsecured and is denominated in HK$. The principal of the 3-year Bond 2024 bears interest and interest is payable semi-annually in arrears. Interest rate are set out as below:

— 8% per annum for the first anniversary of the issue date;

— 9% per annum from the date immediate after the first anniversary of the issue date up to the second anniversary date of the issue date; and

— 10% per annum from the date immediate after the second anniversary of the issue date up to the maturity date.

The Company may at any time after the first anniversary of the issue date of the 3-year Bond 2024 and before the maturity date to early redeem the 3-year Bond 2024 payable, with the prior written consent from the bond holder provided that not less than one-month advance notice of such redemption intention shall have been given to the bond holders.

The bond holder may at any time after the first anniversary of the issue date of the 3-year Bond 2024 and before the maturity date to early redeem the 3-year Bond 2024 payable, with the prior written consent from the Company provided that not less than three-month advance notice of such redemption intention shall have been given to the Company.

During the years ended 31 March 2023 and 2022, there is no early redemption of the 7-year Bond 2028 and 3-year Bond 2024 by the Group.

34. Deferred Tax (Liabilities)/Assets

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets

	Provision for impairment loss on loan receivables HK$'000	Tax losses HK$'000	Provision for impairment loss on trade and retention receivables HK$'000	Total HK$'000
At 1 April 2021	–	1,361	1,081	2,442
Credited to profit or loss	–	30	524	554
Exchange realignment	–	–	53	53
At 31 March 2022	–	1,391	1,658	3,049
Credited to profit or loss	**1,156**	**2,754**	**1,176**	**5,086**
Exchange realignment	**–**	**–**	**(120)**	**(120)**
At 31 March 2023	**1,156**	**4,145**	**2,714**	**8,015**

Deferred tax liabilities

	Depreciation allowance on property, plant and equipment HK$'000	Fair value adjustments on other intangible assets HK$'000	Total HK$'000
At 1 April 2021	400	8,556	8,956
Credited to profit or loss	(91)	(1,591)	(1,682)
Exchange realignment	(13)	(1)	(14)
At 31 March 2022	296	6,964	7,260
Credited to profit or loss	**(12)**	**(1,222)**	**(1,234)**
Elimination on disposal of subsidiaries (Note 44(a))	**(242)**	**–**	**(242)**
Exchange realignment	**(42)**	**–**	**(42)**
At 31 March 2023	**–**	**5,742**	**5,742**

34. Deferred Tax (Liabilities)/Assets *(Continued)*

Deferred tax liabilities *(Continued)*

As at 31 March 2023, the Group had unused tax losses of approximately HK$79,397,000 (2022: approximately HK$64,389,000) which are available to set off against future profits of the respective group entities. Approximately HK$24,547,000 tax losses (2022: HK$8,426,000) was recognised as deferred tax assets while no deferred tax asset has been recognised in respect of the remaining unused tax losses due to the unpredictability of future profit streams of the respective group entities.

Pursuant to the PRC EIT Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate for the Group is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

As such, temporary withholding tax difference relating to the undistributed profits of the Group's PRC subsidiaries amounted to approximately HK$420,429,000 as at 31 March 2023 (2022: HK$408,589,000). As at 31 March 2023, deferred tax liabilities of approximately HK$42,043,000 (2022: HK$40,859,000) have not been recognised in respect of the tax that would be payable on distribution of the retained earnings, as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future. There was no other significant unprovided deferred taxation for year ended 31 March 2023 and 2022.

35. Share Capital

	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2021 and 31 March 2022	3,499,098,293	34,991
Issue of shares pursuant to placing agreement (Note)	699,000,000	6,990
At 31 March 2023	4,198,098,293	41,981

Note:

Pursuant to the placing agreement entered into on 19 April 2022, the Company had issued 699,000,000 new shares at a placing price of HK$0.105 per share on 29 April 2022.

All the shares issued during the year ended 31 March 2023 rank pari passu with the then existing shares in all respects.

36. Interests in Subsidiaries

As at 31 March 2023, the Company has direct/indirect interests in the following principal subsidiaries, all of which are private companies. Particulars of the subsidiaries as at 31 March 2023 and 2022 are set out below:

Name of subsidiary	Issued and fully paid share capital/ paid up capital	Place and date of incorporation/ establishment	Attributable equity interest held by the Group as at 31 March		Principal activities and place of operation
			2023 %	2022 %	
S&J	GBP100	UK 19 January 2006	–	100	Wholesale and retail of household consumables in the United Kingdom
Bright Rising Enterprise Limited	HK$10,000	Hong Kong 15 May 2012	100	100	Provision of management services in Hong Kong
Bright World Investment Limited*	USD1	BVI 12 January 2015	100	100	Investment holding
Star World International Holdings Limited*	USD1	BVI 19 December 2014	100	100	Investment holding
Starry Zone Global Limited*	USD1	BVI 21 October 2014	100	100	Investment holding
Virtual Garden Investments Limited*	USD1	BVI 28 July 2014	100	100	Investment holding
Bright World Group Holdings Limited*	USD1	BVI 9 January 2015	100	100	Investment holding
Chengxin Finance	HK$17,858,240	Hong Kong 19 September 2007	100	100	Provision of money lending services in Hong Kong
Alpha Youth Limited	USD200	BVI 10 May 2016	100	100	Investment holding
Grace Wisdom Holdings Limited	HK$100	Hong Kong 12 April 2016	100	100	Investment holding
Hainan Huasheng Concrete Company Limited**(i) 海南華盛混凝土有限公司	RMB20,000,000	The PRC 23 May 2006	100	100	Production and sales of concrete in the PRC
Sansha Huasheng New Building Materials Company Limited**(ii) 三沙華盛新型建築材料有限公司	RMB5,000,000	The PRC 9 November 2021	100	100	Production and sales of cement and construction materials in the PRC

36. Interests in Subsidiaries *(Continued)*

* The subsidiaries are/were directly owned by the Company.

** English translated name is for identification purpose only.

(i) The subsidiary is a wholly-owned foreign enterprise established under PRC law.

(ii) The subsidiary is a domestic company established under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, materially contributed to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the reporting period or at any time during the year.

37. Share-Based Payment Transactions

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations.

Pursuant to this objective, an ordinary resolution was passed at the annual general meeting of the Company held on 26 February 2015 for approval of adoption of a share option scheme (the "Share Option Scheme"). The life of the Share Option Scheme is 10 years from the date of adoption, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted. The exercise price, vesting period, the exercisable period and the number of shares subject to each option will be determined by the Board at the time of grant.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Share Option Scheme, if earlier.

During the years ended 31 March 2023 and 2022, no option was granted, exercised or lapsed under the Share Option Scheme.

38. Commitments

(a) Capital commitments

At the end of the reporting period, capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2023 **HK$'000**	2022 HK$'000
Contracted but not provided for		
– Limited partnership interest	–	42,889
– Capital contributions payable to an associate	–	24,661
	–	67,550

Starry Zone Global Limited, a wholly-owned subsidiary of the Group, entered subscription agreements with an independent third party for subscribing a total maximum commitment amount of US$11,000,000 limited partnership interest in a limited partnership (the "Limited Partnership") as at 31 March 2022. The purpose of the Limited Partnership is primarily achieving capital appreciation and participation through investments in equity and equity-related securities in Asia-Pacific and Europe and portfolio funds with a similar investment focus.

During the year ended 31 March 2023, the investment in the Limited Partnership was disposed of and the respective commitment was released off at the date of disposal.

(b) Operating lease commitments

The Group as lessor

During the year ended 31 March 2022, the Group leased out investment properties under operating leases. The lease runs for an initial period of 3 years to 6 years. None of the leases includes variable lease payments. The Group's investment properties were all disposed of during the year ended 31 March 2023.

Undiscounted lease payment under non-cancellable operating lease in place at the end of the reporting period will be receivable by the Group in future periods as follows:

	2023 **HK$'000**	2022 HK$'000
Within 1 year	–	308
In the second to fifth years, inclusive	–	874
	–	1,182

39. Related Party Disclosures

Save for those disclosed elsewhere in these consolidated financial statements, details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year ended 31 March 2023 was as follows:

	2023 HK$'000	2022 HK$'000
Fees, salaries and other allowances	**10,612**	10,178
Retirement benefit scheme contributions	**64**	72
	10,676	10,250

40. Pledge of Assets

At the end of the reporting period, the Group has pledged its equity interests of certain subsidiaries to secure the repayment obligations under the 7-year Bond 2028's payable amounted to approximately HK$155,712,000 issued by the Company (2022: HK$nil). Besides, assets with the following carrying amounts have been pledged to secure the bills payable, factoring loans and promissory notes of the Group:

	2023 HK$'000	2022 HK$'000
Equity investment at FVTOCI	**7,770**	–
Pledged bank balances	**54,399**	123,479
Trade receivables	**107,455**	–
	169,624	123,479

41. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the Group will balance the overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

42. Financial Instruments

(a) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
At amortised cost (including bank balances and cash)	**1,244,358**	1,442,919
At FVTPL	**17,465**	45,184
At FVTOCI	**116,982**	–
	1,378,805	1,488,103
Financial liabilities		
At amortised cost	**814,337**	1,035,634
	814,337	1,035,634

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, trade, retention and other receivables, convertible bonds receivables, promissory note receivable, equity investments at FVTOCI, bank balances and cash, trade and other payables, lease liabilities, borrowings, bonds payable and promissory notes. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk, credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

42. Financial Instruments *(Continued)*

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

Market risk

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group has financial assets at FVTPL of approximately HK$nil (2022: HK$29,287,000), bank balances and cash of approximately HK$85,000 (2022: HK$1,890,000), equity investment at FVTOCI of approximately HK$116,982,000 (2022:HK$nil), convertible bonds receivables of approximately HK$17,465,000 (2022: HK$15,897,000), bonds payable of approximately HK$155,712,000 (2022: HK$155,795,000) and promissory note of approximately HK$7,679,000 (2022: HK$nil) which are denominated in US$. As HK$ is pegged to US$, the Directors consider that the currency risk of US$ is insignificant. Accordingly, no sensitivity analysis for US$ is presented.

The Group also has certain transactions denominated in RMB, but the Directors consider such exposure is net significant to the consolidated financial statements and hence no sensitivity analysis for RMB is presented.

As the Group does not have significant exposure to currency risk, the Group's income and operating cash flows are substantially independent of changes in foreign currency rates.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate. The Directors consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

As the Group does not have significant exposure to interest rate risk, the Group's income and operating cash flows are substantially independent of changes in interest rates.

42. Financial Instruments *(Continued)*

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

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade, retention and other receivables, loan receivables and bank balances.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances are placed in various authorised financial institutions and the Directors consider the credit risk of such authorised financial institutions is low.

The Group has certain concentration risk on loan receivables as it has five (2022: five) customers with outstanding balances of approximately HK$108,599,000 (2022: HK$125,794,000), representing approximately 66% (2022: 57%) of total loan receivables as at 31 March 2023. These top five loan receivables include project investors in the Mainland China or Hong Kong. The Group assessed the loss allowances for each of the loan receivable individually. As at 31 March 2023, impairment allowance for the loan receivables amounted to approximately HK$89,940,000 (2022: HK$55,214,000) was provided based on the financial position and the economic environment the borrowers operate. In this regard, the Directors consider that the Group's credit risk associated with loan receivables is significantly reduced.

The Group has concentration of credit risk on top five trade receivables which accounted for 34.0% (2022: 30.2%) of the Group's total trade receivables as at 31 March 2023. These top five trade receivables include state-owned enterprises in the Mainland China with good past credit records with the Group. The Group measures loss allowances for trade receivables with available reasonable and supportive forwarding-looking information.

42. Financial Instruments *(Continued)*

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

Credit risk *(Continued)*

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

Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtor;

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

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the ECL rates, the Group considers historical loss rates for each category and adjusts for forward-looking data. For performing category (low risk of default and strong capacity to pay), 12 month expected losses is used for loss provision. For non-performing category (significant increase in credit risk), lifetime expected losses is used for loss provision.

42. Financial Instruments *(Continued)*

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

Credit risk *(Continued)*

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these non-trade receivables are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

Liquidity risk

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

The following table details the Group's remaining contractual maturities for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

42. Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk table

	Weighted average of contractual interest rate per annum	Less than 90 days or on demand	Over 90 days but within 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2023						
Borrowings	2.2%	8,567	115,273	74,457	198,297	178,614
Lease liabilities	–	2,501	4,167	2,010	8,678	8,473
Trade and other payables	–	438,034	–	–	438,034	438,034
Bonds payable	4.8%	25,826	6,522	187,898	220,246	181,358
Promissory notes	8.0%	–	624	8,424	9,048	7,679
At 31 March 2022						
Borrowings	–	–	–	121,690	121,690	94,217
Lease liabilities	–	2,413	8,302	6,673	17,388	16,714
Trade and other payables	–	693,920	–	–	693,920	693,920
Bonds payable	4.8	1,000	32,577	189,494	223,071	181,529
Promissory notes	2.0	–	50,750	–	50,750	49,254

(c) Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

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.

43. Fair Value Measurement of Financial Instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 March 2023				
Assets				
Convertible bonds receivables	**–**	**–**	**17,465**	**17,465**
Equity investment at FVTOCI	**–**	**–**	**116,982**	**116,982**
	–	**–**	**134,447**	**134,447**
At 31 March 2022				
Assets				
Investment properties	–	–	4,792	4,792
Financial assets at FVTPL				
– Limited partnership	–	–	29,287	29,287
Convertible bonds receivables	–	–	15,897	15,897
	–	–	49,976	49,976

Fair value estimation

Financial assets at FVTPL – Limited partnership

The fair value of limited partnership as at 31 March 2022 was estimated by applying net asset value with adjustment based on the marketability of the limited partnership. The net assets value is based on the projected financial statement of the investment fund for the year ended 31 March 2022.

Convertible bond receivables

The fair value of convertible bond receivables as at 31 March 2023 was estimated by applying Binomial Pricing Model. The discount rate applied to estimate the fair value is 18.05% respectively. Should the discount rate increased, the fair value of convertible bond receivables would be decreased, vice versa.

43. Fair Value Measurement of Financial Instruments *(Continued)*

Equity investment at FVTOCI

The fair value of equity investment at FVTOCI as at 31 March 2023 was estimated by applying income-based approach valuation technique using discounted cash flow method. Cash flows beyond the projection period are extrapolated using estimated growth rate of 2%. The pre-tax discount rate used to discount the forecast cash flow is 24.04%. Should the estimated growth rate increase, the fair value of the equity investment at FVTOCI would be increased, vice versa. Should the pre-tax discount rate increase, the fair value of the equity investment at FVTOCI would be decreased, vice versa.

The movements during the year in the balance of Level 3 fair value measurement is as follows:

	Investment properties HK$'000	**Limited partnership** HK$'000	**Convertible bonds receivables** HK$'000	**Equity investment at FVTOCI** HK$'000	**Total** HK$'000
At 31 March 2021	4,987	21,496	16,032	–	42,515
Addition	–	18,853	–	–	18,853
Distribution	–	(4,947)	–	–	(4,947)
Fair value losses					
– Included in profit or loss (included in other gains and losses, net)#	–	(6,115)	(755)	–	(6,870)
Interest income	–	–	1,244	–	1,244
Interest received	–	–	(624)	–	(624)
Exchange realignments	(195)	–	–	–	(195)
At 31 March 2022	**4,792**	**29,287**	**15,897**	**–**	**49,976**
Addition	**–**	**–**	**–**	**116,723**	**116,723**
Disposals	**(4,915)**	**(29,649)**	**–**	**–**	**(34,564)**
Fair value gains				**–**	
– Included in profit or loss (included in other gains and losses, net)#	**–**	**–**	**312**	**–**	**312**
– Included in other comprehensive income	**–**	**–**	**–**	**259**	**259**
Net realised gains recognised in profit or loss	**510**	**362**	**–**	**–**	**872**
Interest income	**–**	**–**	**1,256**	**–**	**1,256**
Exchange realignments	**(387)**	**–**	**–**	**–**	**(387)**
At 31 March 2023	**–**	**–**	**17,465**	**116,982**	**134,447**

All those balances charged to the other gains and losses, net were held at the end of reporting periods.

During the year ended 31 March 2023, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

44. Disposal of Subsidiaries

(a) Disposal of S&J Group

The disposal of S&J Group was completed on 29 September 2022 at consideration of GBP1,900,000 (equivalent to approximately HK$16,509,000). Upon completion, S&J Group ceased to be a subsidiary of the Company and results, assets and liabilities of S&J Group were ceased to be consolidated with those of the Group.

Details of the disposal of S&J Group were set out in the announcement of the Company dated 28 September 2022.

The following table summarises the consideration received for the disposal of S&J Group and the net assets for S&J Group as at the date of disposal:

	HK$'000
Consideration satisfied by:	
Cash	14,765
Deferred receivables	1,744
	16,509

The net assets of S&J Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment (Note 16)	892
Right-of-use assets	420
Goodwill (Note 19)	9,774
Inventories	6,191
Trade and other receivables, prepayments and deposits	16,606
Bank balances and cash	1,198
Trade and other payables and accruals	(9,646)
Lease liabilities	(350)
Tax payable	(793)
Deferred tax liabilities	(242)
Net assets disposed of	24,050
Reclassification adjustment of exchange reserve on disposal of S&J Group	5,427
Loss on disposal of subsidiaries	(12,968)
Total consideration received	16,509
Net cash inflow arising on disposal:	
Cash consideration	14,765
Bank balances and cash disposed of	(1,198)
	13,567

The loss on disposal of S&J Group was included in the loss from discontinued operation (Note 12) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023.

44. Disposal of Subsidiaries *(Continued)*

(b) Disposal of Greenstar Group on 29 September 2021

On 29 September 2021, the Company entered into a sale and purchase agreement with an independent third party in relation to the disposal of entire equity interest and sale loan in Greenstar Enviro-Tech Investments Company Limited (the "Greenstar") (together with its subsidiary are referred to as the "Greenstar Group") at a total consideration of HK$5,000,000 (the "Greenstar Disposal"). The Greenstar Group held a property located in Macau.

The Greenstar Disposal was completed on 29 September 2021. Upon completion, Greenstar Group ceased to be a subsidiary of the Company and results, assets and liabilities of Greenstar Group were ceased to be consolidated with those of the Group.

The following table summarises the consideration received for the disposal of Greenstar Group and the net liabilities of Greenstar Group as at the date of disposal.

	HK$'000
Consideration satisfied by:	
Cash	5,000

The net liabilities of Greenstar Group as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	286
Bank balances and cash	25
Trade and other payables and accruals	(4,295)
Shareholders' loan	(21,048)
Net liabilities disposal of	(25,032)
Assignment of Greenstar Group shareholder's loan	21,048
Reclassification adjustment of exchange reserve on disposal of Greenstar Group	(719)
Gain on disposal of subsidiaries	9,703
Total cash consideration received	5,000
Net cash inflow arising on the date of disposal:	
Cash consideration	5,000
Bank balances and cash disposed of	(25)
	4,975

The gain on the disposal of Greenstar Group was included in the other gains and losses, net in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022.

45. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follow:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	1,017,782	987,807
	1,017,782	987,807
CURRENT ASSETS		
Prepayments	821	420
Bank balances and cash	860	742
	1,681	1,162
CURRENT LIABILITIES		
Other payables and accruals	24,802	2,362
Promissory notes	–	49,254
	24,802	51,616
NET CURRENT LIABILITIES	(23,121)	(50,454)
TOTAL ASSETS LESS CURRENT LIABILITIES	994,661	937,353
NON-CURRENT LIABILITIES		
Bonds payable	155,712	155,795
	155,712	155,795
NET ASSETS	838,949	781,558
CAPITAL AND RESERVES		
Share capital	41,981	34,991
Reserves	796,968	746,567
TOTAL EQUITY	838,949	781,558

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 21 June 2023 and are signed on its behalf by:

Mr. Wong Wai Sing *DIRECTOR*	**Mr. Wong Jeffrey** *DIRECTOR*

45. Statement of Financial Position of the Company *(Continued)*

Details of the changes in Company's individual components of reserves between the beginning and the end of the year and set as below:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	1,688,181	654	(946,016)	742,819
Profit and total comprehensive income for the year	–	–	14,245	14,245
Dividends approved in respect of previous year	(10,497)	–	–	(10,497)
Transactions with owners	(10,497)	–	–	(10,497)
At 31 March 2022	1,677,684	654	(931,771)	746,567
Profit and total comprehensive income for the year	**–**	**–**	**(13,802)**	**(13,802)**
Issue of shares pursuant to placing agreement	**66,405**	**–**	**–**	**66,405**
Transaction costs attributable to issue of placing shares	**(2,202)**	**–**	**–**	**(2,202)**
Transactions with owners	**64,203**	**–**	**–**	**64,203**
At 31 March 2023	**1,741,887**	**654**	**(945,573)**	**796,968**

Distributability of reserves

The Company's reserves available for distribution to its shareholders comprise share premium and accumulated losses which in aggregate amounted to approximately HK$796,314,000 as at 31 March 2023 (2022: HK$745,913,000). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, distributions shall be payable out of the profits or other reserves, including the share premium account, of the Company.

Financial Summary

Results

	Year ended 31 March				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing and discontinued operations					
Revenue	**690,082**	864,508	928,691	213,456	115,164
(Loss) profit for the year	**(54,774)**	31,293	43,887	(78,192)	(11,967)
Total comprehensive (loss) income for the year attributable to owners of the Company	**(62,366)**	46,803	50,195	(83,726)	(20,921)

Assets and Liabilities

	Year ended 31 March				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,798,802**	2,025,253	1,734,467	1,526,723	637,187
Total liabilities	**834,500**	(1,069,778)	(815,298)	(792,169)	(245,733)
Net assets	**964,302**	955,475	919,169	734,554	391,454