国联通信
Global Link

Stock Code: 8060
http://www.glink.hk

# 國聯通信控股有限公司

# Global Link Communications Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

# 年報 2020/21 ANNUAL REPORT

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

***GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.***

***Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.***



*This report, for which the directors (the "Directors") of Global Link Communications Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# CONTENTS

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUTHORIZED REPRESENTATIVES

Mr. Li Kin Shing
Mr. Wong Kin Wa

## COMPLIANCE OFFICER

Mr. Wong Kin Wa

## COMPANY SECRETARY

Ms. Chan Wai Ching

## AUDIT COMMITTEE

Mr. Cheung Sai Ming *(Chairman)*
Mr. Leung Kwok Keung
Mr. Liu Chun Bao

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Cheung Sai Ming *(Chairman)*
Mr. Li Kin Shing
Mr. Liu Chun Bao

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3815, Hong Kong Plaza,
188 Connaught Road West,
Hong Kong

## PRINCIPAL BANKERS

China Construction Bank
 Guangzhou Ruan Jian Yuan Sub-branch
China Merchants Bank Guangzhou Long Kou Branch
Chiyu Banking Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE 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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## AUDITORS

Crowe (HK) CPA Limited
9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay,
Hong Kong

## STOCK CODE

8060

# CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Global Link Communications Holdings Limited (the "Company"), I would like to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021 for shareholders' review.

The Second Session of the 13th National People's Congress and the 4th Session of the 13th National Committee of the CPPCC of the People's Republic of China were convened in March 2021. It proposed to ensure the continuity, consistency and sustainability of macro policies to keep major economic indicators within an appropriate range; advance reforms in key areas and further energize market entities; promote high-quality development of the real economy through innovation and foster new growth drivers; expand domestic demand as a strategic move and fully tap the potential of the domestic market; implement the rural revitalization strategy across the board and promote steady development of agriculture and growth in rural incomes; pursue high-standard opening up and promote stable and improved performance in foreign trade and investment; enhance pollution prevention and control and ecological conservation and promote continuous environmental improvement; and improve living standards and steadily advance social development. China's gross domestic product (GDP) reached RMB101,598.6 billion in 2020 and the GDP growth reached 2.3% in 2020. The two sessions proposed main projected targets for development in 2021 with the GDP growth of over 6%.

During the reporting period, facing the severe combined impact of a sudden novel coronavirus pneumonia (the "COVID-19") pandemic and a deep global economic recession, the Chinese people, under the leadership of the government, resolutely fought against the pandemic and achieved major success in response to the pandemic. China was the world's only major economy to achieve growth. Following the relevant policies of the government, the Group established the prevention and control mechanism against the COVID-19 among employees and actively resumed business development under the premise of ensuring the health and safety of employees. Based on the rich business experience of the management on customer relationship management ("CRM"), Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) ("Global Link Intelligent") vigorously carried out domestic and overseas CRM business and gradually expanded the CRM business team, achieving rapid development in the CRM business and expanded other revenue sources on the basis of the CRM business.

2020 was an extraordinary year and the last year of China's "13th Five-year" Plan. With the joint efforts of various state-owned and private enterprises, the urban rail transit industry forged ahead and overcame difficulties, promoted the development of the whole industry and achieved remarkable results, hitting a new high in terms of the new length. During the year, a total of 26 cities in Mainland China achieved a new length of approximately 1,235 kilometers with 818 new stations under operation, successfully completing the construction of urban rail transit under the "13th Five-year" Plan.

During the year under review, the operation and expansion as well as interactions and communications of the enterprise were significantly restricted due to the impact of the COVID-19 pandemic on the rail transit industry. Based on the specific requirements of local governments and relevant policies and requirements of different countries and regions, Guangzhou Global Link Communications Inc. ("Guangzhou Global Link"), a subsidiary of the Company, carried out differentiated resumption of work and production and conducted operation, maintenance and other work under the premise of ensuring the health and safety of employees. Based on innovative requirements such as the "standard metros" proposed by CRRC Corporation Limited ("CRRC") and the "intelligent urban rail transit" advocated by operators, Guangzhou Global Link continuously attracted R&D talents and increased capital input to participate in competitions on the industrial development through efforts.

# CHAIRMAN'S STATEMENT

Looking into 2021, it is the first year of the "14th Five-year" Plan of the Chinese government. As a key sector under the "new infrastructure", urban rail transit will see further development as compared with the "13th Five-year" period. The continuous large-scale investment in the urban rail transit market will promote the industrial chains to maintain the incremental stage.

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

***Li Kin Shing***
*Chairman*

Hong Kong, 22 June 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

The COVID-19 pandemic raged around the world during the year and has caused significant damages to the operating activities in various industries. The travelling restrictions postponed the implementation of market expansion plans and boosted online communications and interactions. Thanks to the effective and orderly management and control implemented by the Chinese government, the pandemic was effectively controlled in Mainland China and the national economy remained stable and achieved growth. Enterprises resumed work and production rapidly and carried out normal operation. However, the trade tension between China and the US was intensified during the year. The industrial development was impeded by various restrictions, the shortage of chips in particular, resulting in the hiking prices of various components and certain materials and directly affecting the profitability of enterprises. Due to such adverse factors, the operation will not be optimistic in the following months and even in the year.

## MARKET OVERVIEW

During the year under review, the economic growth was under pressures due to the impacts of the pandemic. The Chinese government proposed the "new infrastructure" as an orientation to drive investment and expand demands. The new infrastructure involves seven industries and the "intercity high-speed rail and rail transit construction" is a key sector for investment. In 2020, the National Development and Reform Commission approved key rail transit projects in eight cities, involving the construction of 35 urban rail transit lines with a total investment of approximately RMB471 billion and a total length of 595.75 kilometers. As at the end of 2020, a total of 44 cities in Mainland China have opened urban rail transit with a length of 7,657 kilometers and 5,179 stations under operation. 2021 will see more rail transit open in Chinese cities. 55 lines are expected to open in 31 cities, including Beijing, Guangzhou, Wuhan and Hangzhou. The length of new lines to open is expected to reach approximately 762 kilometers and 469 new stations will be constructed. Based on the above relevant data, China will maintain a growing trend in the investment in and construction of urban rail transit.

## BUSINESS REVIEW

In the face of the pandemic during the year, Guangzhou Global Link, a subsidiary of the Company, actively responded to local government's advocate to resumption of work and production in time and overcame various difficulties and successfully delivered the products and systems under contracts based on the requirements of CRRC. It carried out the delivery of systems and equipment for 11 lines in six cities/countries, including Guangzhou, Wuhan, Chongqing, Harbin, Wenshan and Turkey. Meanwhile, it also implemented the general overhauls and renovation of vehicle passenger information system for three lines in two cities. Guangzhou Global Link recorded revenue of approximately RMB78 million for the year.

Despite the pandemic, the rail transit operation in cities gradually resumed their capacity and operation time in short time. The management of Guangzhou Global Link, based on the requirements of local governments, cooperated with operators and led the resumption of work and production. Under the premise of strictly ensuring the health and safety of employees, Guangzhou Global Link carried out the opening of new lines and the operation maintenance in a scientific and orderly manner. Overseas regions under the Belt and Road Initiative, including Malaysia, Pakistan, Turkey and Hong Kong, are severely hit by the reoccurrence of the COVID-19 pandemic. However, under the leadership of the backbone employees of the Group, it provided employees with more humanistic care and material incentives and met the working requirements of local operators. It is fortunate that as at the date of this report, none of the domestic and overseas employees on the site was affected by the COVID-19 pandemic.

As the corresponding countries of projects in overseas markets under the Belt and Road Initiative require certain proportion of localization, Guangzhou Global Link has to actively identify partners with the corresponding production and technological background and strength under the requirements of local governments of the countries or regions where overseas projects are located while exploring markets. To implement the localization of the airport line in Istanbul, Turkey during the period, the Group invested a huge amount of marketing and production materials and human resources and the prevention of the COVID-19 pandemic posed new challenges to the localization.

During the reporting period, relevant supply chains in the industry witnessed the trend of hiking prices of imported ICs, memories, hard disks and certain materials. As a result of the gradual increase in human resources costs, the longer cycle of trade receivables of the Group, the higher proportion of commercial acceptance as well as other factors, the operating costs of the Group increased accordingly and the profitability was affected.

In the face of the COVID-19 pandemic during the year, Global Link Intelligent, a subsidiary of the Company, strictly implemented measures of local governments on the prevention of the pandemic and carried out the recruitment of and trainings on CRM staff. While implementing measures on the prevention of the pandemic, it conducted the CRM business and gradually expanded the CRM team and accumulated the work experience of CRM team, laying a solid foundation for the better development of the CRM business. During the reporting period, the CRM business vigorously expanded the mainland and Hong Kong markets and obtained telecommunications and catering reservation businesses.

On 27 July 2020, the Company entered into a sale and purchase agreement, pursuant to which, the Company has agreed to sell 60% of the issued share capital of Connect Cool Technology Limited (a company wholly owns Shanghai Xunshan Information Technology Limited) to the other shareholder holding 40% of the issued share capital of the Connect Cool Technology Limited at a total consideration of HK$24,548,000. On 18 August 2020, the abovementioned disposal has been completed. Connect Cool Technology Limited ceased to be a subsidiary of the Company after the completion. For details, please refer to the announcements of the Company dated 27 July 2020 and 18 August 2020 and the circular of the Company dated 14 August 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Turnover

During the year under review, Guangzhou Global Link, a subsidiary of the Company, performed goods supply in accordance with signed contracts, including: Wuhan Metro Caidian Line, South Extension of Wuhan Metro Line 6, Wuhan Metro Line 16, Chongqing Metro Line 9, phase-3 of Harbin Metro Line 1, Harbin Metro Line 2, update and renovation projects of train-borne systems of Shenzhen Metro Line 3, renovation project of Guangzhou Metro Line 5/6, new purchase project of Guangzhou Metro Line 5, low-floor new energy vehicles in Huangpu District of Guangzhou, the newly tested and manufactured CRH3 high-speed trains projects, the project in Istanbul, Turkey as well as the bulk supply of spare parts and accessories to operating lines in various cities. The total delivery amount increased as compared with the last corresponding year. In terms of the CRM business, the Group gradually expanded the CRM business team, achieving rapid development in the CRM business.

During the year under review, the Group recorded turnover of approximately HK$98,124,000, representing an increase of approximately 39% as compared with approximately HK$70,428,000 in the last corresponding year, including revenue from the CRM business of approximately HK$8,004,000.

### Gross profit and profit attributable to equity shareholders

For the year ended 31 March 2021, the Group recorded gross profit of approximately HK$14,131,000 with gross profit margin of approximately 14%. Profit after tax for the year was approximately HK$1,174,000. Profit attributable to equity shareholders of the Company amounted to approximately HK$2,265,000.

### Selling expenses

Selling expenses during the year under review were approximately HK$10,949,000, representing an increase of 10% as compared with the last corresponding year. The increase was mainly due to the impact of the COVID-19 pandemic. At the beginning of COVID-19 pandemic, the Group's external exchanges were almost interrupted, and subsequently, as the pandemic eased in China, the Group's external exchanges fully recovered, and outperformed the same level as those in the last corresponding year as a whole.

### Administrative expenses

Administrative expenses during the year under review were approximately HK$13,416,000, remained stable as compared with approximately HK$13,741,000 in the last corresponding year.

### Other revenue and other net gain

During the year under review, other revenue and other net gain were approximately HK$10,322,000, representing a significant increase as compared with approximately HK$4,845,000 in the last corresponding year. The increase was mainly due to the provision for product after-sales maintenance of approximately HK$6,966,000 accrued in the previous period was reversed during the year under review.

# MANAGEMENT DISCUSSION AND ANALYSIS

## TURNOVER BY REGION

During the year under review, Guangzhou Global Link remained as the major contributor to the Group's operating income, and the solution of train information system for railway transportation was the core product for generating operating income. Train manufacturers under the CRRC, railway transportation contractors and integrated project enterprises, as well as subway operators in places where projects had commenced operation, were the major customers of the Group. The PRC market was the main market for products and services of the Group, supplemented by overseas markets.

The Group realized turnover of approximately HK$94,589,000 in the PRC, representing approximately 96% of the Group's turnover for the year.

## CUSTOMER ANALYSIS

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

The customers of the CRM business mainly include telecommunication, catering and insurance companies with demands for the CRM business.

## BUSINESS PARTNERS

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

Major business partners on the CRM business include companies with demands for the CRM business in Mainland China and Hong Kong, such as CallVU Information (科慧信息), a catering company in Hong Kong and a telecommunication operator in Hong Kong.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

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

The Group carried out prudent financial policy with surplus cash deposited in bank to finance operation and investments. Management will review financial forecast on a regular basis. As at 31 March 2021, the Group had total time deposit, cash and cash equivalents, amounted to approximately HK$93,850,000 (2020: approximately HK$94,107,000).

## BUSINESS OUTLOOK

With the economic and social development, the Chinese government has attached great importance to the implementation of high-quality development. As the main artery in urban transit, metros are facing new reforms and challenges. The construction of intelligent metros has become a trend in the current urban rail transit industry. Local operators have proposed their respective plans and "digitalization, informationization, intellectualization and customization" will be basic requirements on the products of the Group. The innovation of products and systems will prioritize "accurate perception, unmanned and cloud services" and other passenger experience. With the planning on new lines and the increasing maturity of the market in Mainland China, CRRC has formulated standards on "standard metros" and will arrange the R&D of products under new standards and the qualification examination for enterprises of relevant products and enterprises. The implementation of the standards will facilitate the intelligent assembly of whole train manufacturers and establish standards on the intermediate maintenance and upgrading of trains for interconnection in the future. It also raises more requirements on technical innovation and high quality of enterprises in the industrial chain.

Based on the "14th Five-year" Plan of the Chinese government, the investment in rail transit will maintain certain scale with relatively stable market demands. As the operation line in major cities with early metro operation gradually enter the stage for general overhauls and intermediate maintenance, such market demands will increase year by year. The implementation of intelligent urban rail will attract more enterprises with core high technologies and the Group will see a new round of opportunities as well as intensified competitions.

The Group increased the input in the CRM business and actively expanded the market. It negotiated with a telecommunication operator on cooperation in the CRM business to accelerate the development of the CRM business of the Group. On the basis of the CRM business, it will expand to the provision of insurance services to telecommunication customers.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had net current assets of approximately HK$112,741,000 (2020: approximately HK$93,619,000), of which approximately HK$93,850,000 (2020: approximately HK$94,107,000) were time deposit, cash and cash equivalents. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## TREASURY POLICIES

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

## CHARGE ON THE GROUP'S ASSETS

Save as disclosed in note 19, 20 and 24 to the consolidated financial statements, the Group had no charge on its assets for the year under review.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed in note 32 and 33 to the consolidated financial statements, the Group did not have any material acquisitions, disposals and significant investments during the year under review.

## GEARING RATIO

Gearing ratio is calculated as the net debt (being total liabilities less bank and cash balances) divided by the total capital. As at 31 March 2021, the Group had time deposit, cash and cash equivalents of approximately HK$93,850,000. As at 31 March 2021, the Group had total borrowings of approximately HK$14,232,000, and the total equity attributable to equity shareholders of the Company was approximately HK$114,729,000, therefore, the gearing ratio of the Group was negative, hence the Group' the gearing ratio was not applicable (2020: Not applicable).

## FOREIGN EXCHANGE EXPOSURE

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

## PUBLIC FLOAT

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

## SEGMENT INFORMATION

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

## USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 21 APRIL 2016

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

The gross proceeds from the subscription were HK$80.0 million. The net proceeds of the subscription, after deduction of expenses and professional fees, amounted to approximately HK$79.0 million (the "Subscription Proceeds"), amongst which approximately HK$64.3 million had been utilised as at 31 March 2021. The breakdown of the Company's actual use of the Subscription Proceeds as at 31 March 2021 is as follows:

| | **Proposed use of the Subscription Proceeds as disclosed in the Circular** | **Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 March 2021** |
|---|---|---|
| | HK$ million | HK$ million |
| The Company's existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC | 30.0 | 30.0 |
| The development of the "Smart City" project by using the Company's existing CA-SIM technology, mainly for staff hiring, development of relevant management system platform and gradual roll out of the mobile apps and value-added services to target users | 41.1 | 26.4 |
| Working capital | 7.9 | 7.9 |
| Total | 79.0 | 64.3 |

Based on the current market condition, the Board is planning to utilise approximately HK$3.0 million, on development of the "Smart City" projects and relevant research and development in the financial year ending 31 March 2022.

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

As at 31 March 2021, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2021.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## EMPLOYEE AND SALARIES POLICY

As at 31 March 2021, the Group had 229 employees (2020: 199 employees), with 220 employees and 9 employees employed in the PRC and Hong Kong, respectively.

| | **At 31 March 2021 Number of staff** | At 31 March 2020 Number of staff |
|---|---|---|
| Management, finance and administration | **34** | 39 |
| Research and development | **80** | 82 |
| Sales and after-sales maintenance | **115** | 78 |
| Total | **229** | 199 |

The total staff costs, including Directors' emoluments, amounted to approximately HK$23,178,000 (2020: approximately HK$22,942,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

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

## PRINCIPAL RISKS

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

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

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

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Li Kin Shing**（李健誠）(formerly known as Li Kwong（李廣）), aged 63, has been appointed as executive Director and the chairman of the Board, a member of the nomination committee, and an authorized representative of the Company with effect from 26 May 2016.

Mr. Li has over 31 years of experience in the telecommunications industry. Mr. Li had been an executive director, the chairman and the chief executive officer of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) and resigned on 28 December 2018. He was the chief executive officer and the president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, U.S.A., whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions in 2007. Since 2009, he has been a non-executive director and the chairman of Directel Holdings Limited (Stock Code: 8337), a company listed on GEM and controlled by him and his spouse. Mr. Li is also a director of First Asset Securitization Holding Limited, First Asset Securitization Limited, Guangzhou Global Link Intelligent Information Technology Co., Ltd.（廣州國聯智慧信息技術有限公司）, Global Link Telecom Insurtech Limited and Global Link TST Holding Limited, all being subsidiaries of the Group.

**Mr. Ma Yuanguang**（馬遠光）, aged 66, is the co-founder of the Group and is an executive Director. Mr. Ma ceased to be the chief executive officer ("CEO") with effect from 27 November 2020. Mr. Ma is responsible for the overall strategic planning of the Group. Mr. Ma has over thirty years' experience in the telecommunications industry. Prior to joining the Group, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for eight years. Mr. Ma has cooperated with several multinational hi-tech firms in the United States, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC. Mr. Ma is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited and Tonnex Holdings Limited, all being subsidiaries of the Company.

**Mr. Wong Kin Wa**（黃建華）, aged 53, has been appointed as the executive Director, a member of the remuneration committee, an authorized representative and compliance officer of the Company with effect from 26 May 2016. Mr. Wong has been appointed as the CEO with effect from 27 November 2020. He obtained a diploma in Auditing from Guangzhou Radio & TV University, the PRC, in 1988.

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

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Leung Kwok Keung**（梁覺強）, aged 57, is the financial controller of a listed company on the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. He was an independent non-executive director of Lee Kee Holdings Limited (Stock Code: 0637), a company listed on the Main Board of the Stock Exchange, from September 2006 to October 2014. He graduated from the City University of Hong Kong with a Bachelor degree in accountancy and obtained a degree in Bachelor of Laws from Qinghua University. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. He has more than 20 years' experience in finance, accountancy and treasury. Mr. Leung is a member of the audit committee.

**Mr. Cheung Sai Ming**（張世明）, aged 46, has been appointed as an independent non-executive Director of the Company, and the chairman of the audit committee, the remuneration committee and the nomination committee with effect from 26 May 2016.

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

**Mr. Liu Chun Bao**（劉春保）, aged 75, has been appointed as an independent non-executive Director, and a member of the audit committee, remuneration committee and nomination commitee with effect from 26 May 2016. He is a senior engineer, graduated from Wuhan College of Posts and Telecommunications, the PRC, in 1969.

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

## SENIOR MANAGEMENT

**Mr. Xian Bao Wen**（冼寶文）, aged 46, joined Guangzhou Global Link Communications Inc, in October 2007 and is the finance controller. Mr. Xian graduated from Guangdong University of Finance & Economics with a bachelor degree of Economics. Mr. Xian has worked in a state-owned enterprise which engaged in telecommunication as accountant for almost 7 years. From July 2005 to October 2007 he became an assistant of finance controller in the Superdata Group (used to be GEM's listed company). Mr. Xian is also a director of Guangzhou Global Link Communications Inc., a subsidiary of the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## COMPANY SECRETARY

**Ms. Chan Wai Ching** (陳惠貞), aged 59, has been appointed as the company secretary of the Company with effect from 26 May 2016. She obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008.

Ms. Chan has over 38 years of experience in accounting, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. She has been the company secretary of Goldstream Investment Limited (formerly known as International Elite Ltd.) (Stock code: 1328) since 2007 and the company secretary and authorised representative of Directel Holdings Limited (Stock Code: 8337) since 2009. Ms. Chan subsequently resigned as Company secretary and authorised representative of Directel Holdings Limited effective 7 June 2016.

# REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

## KEY RISK FACTORS

The principal risks faced by the Group are set out in page 13 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosure. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 69.

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2021.

## RESERVES

The movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 71 and note 29 to the consolidated financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

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

# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

Pursuant to the Companies Law 2003 (Revised) of the Cayman Islands and the articles of association of the Company, the share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's articles of association. As at 31 March 2021, the Company's reserves available for distribution amounted to approximately HK$54,362,000 (2020: approximately HK$59,660,000).

## PRE-EMPTIVE RIGHTS

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

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

### Financial Highlights

| | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | **98,124** | 70,428 | 95,626 | 93,150 | 55,967 |
| Gross profit | **14,131** | 9,824 | 28,006 | 24,511 | 3,979 |
| Profit/(loss) before tax | **1,174** | (21,654) | (10,467) | (4,778) | (21,904) |
| Profit/(loss) attributable to equity shareholders of the Company | **2,265** | (23,192) | (10,467) | (4,777) | (21,904) |
| Total assets | **178,577** | 164,489 | 151,862 | 172,476 | 152,924 |
| Total liabilities | **63,848** | 52,353 | 56,577 | 62,529 | 40,248 |
| Non-controlling interest | **–** | 1,544 | – | (27) | (26) |
| Net assets | **114,729** | 112,136 | 95,285 | 109,947 | 112,676 |

## MAJOR CUSTOMERS AND SUPPLIERS

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

| | |
|---|---|
| Purchases | |
| – the largest supplier | 33% |
| – five largest suppliers combined | 52% |
| Sales | |
| – the largest customer | 41% |
| – five largest customers combined | 77% |

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

# REPORT OF THE DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## DIRECTORS

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

### Executive Directors

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

### Independent non-executive Directors

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

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

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

## EMPLOYEE RETIREMENT BENEFIT SCHEMES

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

## DIRECTORS' SERVICE CONTRACTS

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

Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2020. Each of Mr. Cheung Sai Ming and Mr. Liu Chun Bao has been appointed for a term of three years commencing from 26 May 2019. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

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

## DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

## PERMITTED INDEMNITY PROVISION

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 14 to 16 of this report.

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

As at 31 March 2021, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

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

*Note:*

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

Save as disclosed above, as at 31 March 2021, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

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

As at 31 March 2021, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

### Interests in ordinary shares of the Company – long position

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

*Notes:*

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

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

Save as disclosed above, as at 31 March 2021, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

# REPORT OF THE DIRECTORS

## COMPETING INTERESTS

Save as disclosed in the Prospectus, the Directors are not aware of any business or interest of each Director, initial management shareholder or substantial shareholder of the Company or any of his/her respective associate that competes or may compete with the business of the Group and any other conflicts of interest which such person has or may have with the Group as at 31 March 2021.

## BOARD PRACTICES AND PROCEDURES

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

## CONNECTED TRANSACTIONS

The Group conducted certain connected transactions during the year. For details, please refer to the related party transactions as set out in note 31 to the consolidated financial statements and the disposal of subsidiaries as set out in note 33 to the consolidated financial statements.

## RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in note 31 to the consolidated financial statements.

The Company confirms that in relation to the related party transactions for the year ended 31 March 2021, it has complied with the disclosure requirements in accordance with the GEM Listing Rules.

## CORPORATE GOVERNANCE

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

## ENVIRONMENTAL POLICIES AND PRACTICE

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

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

For details please also refer to the Environmental, Social and Governance Report on pages 33 to 63 in this report.

## AUDITORS

Crowe (HK) CPA Limited acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 March 2021.

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

On behalf of the Board

Wong Kin Wa
*Chief Executive Officer*

Hong Kong, 22 June 2021

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2021.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## BOARD OF DIRECTORS AND BOARD MEETING

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

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

For the year ended 31 March 2021, the executive Directors include Mr. Li Kin Shing, Mr. Ma Yuanguang and Mr. Wong Kin Wa. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. Mr. Cheung Sai Ming, Mr. Leung Kwok Keung and Mr. Liu Chun Bao are the independent non-executive Directors.

Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2020. Mr. Cheung Sai Ming and Mr. Liu Chun Bao have been appointed for a term of three years commencing from 26 May 2019. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

# CORPORATE GOVERNANCE REPORT

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

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

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

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Pursuant to the Corporate Governance Code, all Directors and senior management should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. During the year and up to the date of this report, all Directors and senior management have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities in compliance to Code A6.5 of the Corporate Governance Code.

## REMUNERATION COMMITTEE

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

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

During the year under review, a meeting of the remuneration committee was held on 16 March 2021. Details of the attendance of the remuneration committee meeting are as follows:

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

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

## NOMINATION COMMITTEE

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

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

A meeting of the nomination committee was held on 22 June 2021. Details of the attendance of the nomination committee meeting are as follows:

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

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

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

## BOARD DIVERSITY POLICY

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

The following is a summary of the board diversity policy:

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

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

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

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

## NOMINATION POLICY

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

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

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

– The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

– The Nomination Committee shall review this Nomination Policy to ensure it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice at least annually and shall make recommendations, should it thinks appropriate, of any amendments to this Nomination Policy to the Board for its consideration.

## AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of approximately HK$663,000 to the external auditors for its audit services and the auditor's remuneration for non-audit services was approximately HK$80,000.

## AUDIT COMMITTEE

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

The Group's annual audited results during the year ended 31 March 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

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

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

## CORPORATE GOVERNANCE FUNCTION

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

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

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

## DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility to prepare the Group's financial statement for each financial period to give a true and fair view of the state of affairs of the Group and of results and cash flows for that period. In preparing the financial statements for the year under review, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditor's Report on pages 64 to 68 of this report.

## INTERNAL CONTROL

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

The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 March 2021.

## SHAREHOLDERS' RIGHTS

### I. Convene an extraordinary general meeting

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

### II. Send enquiries to the Board

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

### III. Make proposals at general meetings

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

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

## DIVIDEND POLICY

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

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

(i) operations and earnings;

(ii) business development;

(iii) capital requirements and surplus;

(iv) market conditions and general financial conditions;

(v) contractual restrictions (if any); and

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

## INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors periodically. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting ("AGM") each year to meet the shareholders and answer to their enquiries.

The attendance of members of the Board to the AGM held on 3 August 2020 is as follows:

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

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

## 1. ABOUT THIS REPORT

### 1.1 Introduction of the Report

This is the fifth Environmental, Social and Governance ("ESG") report of Global Link Communications Holdings Limited ("the Company" or "Global Link"). This report summarizes the Company's performance in fulfilling its responsibilities in economic, environmental and social dimensions during the financial year from 1 April 2020 to 31 March 2021.

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

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

### 1.2 Reporting Scope

The reporting scope of this report includes Global Link Communications Holdings Limited and its subsidiaries (the "Group"). The main operations are located at the Group's headquarter in Hong Kong and its Research and Development (R&D) and Assembly Centre in Guangzhou. As the Group has completed the disposal of its entire shareholding in Connect Cool Technology Limited (which wholly owns Shanghai Xunshan Information Technology Limited ("Shanghai Xunshan")), on 18 August 2020, Shanghai Xunshan will no longer be included in the reporting scope of this report.

### 1.3 About Global Link

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

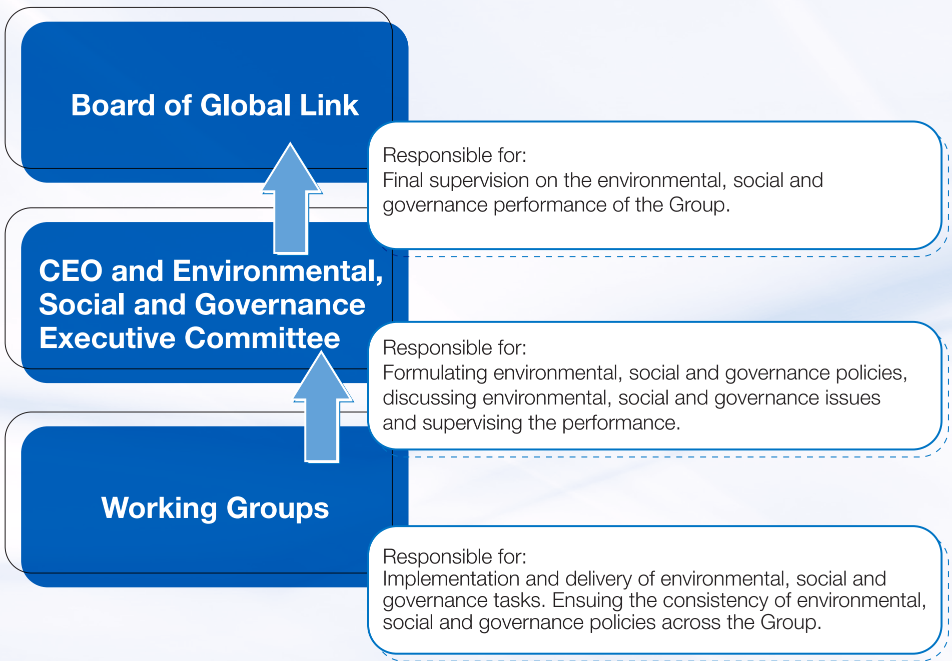
The customers of Guangzhou Global Link Communications Inc. ("Guangzhou Global Link"), a subsidiary of the Company, are mainly train manufacturers under the CRRC Corporation Limited ("CRRC"). We supply mainly certified and licensed train information system products, including railway closed circuit television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

Guangzhou Global Link Intelligent Information Technology Co., Ltd.*（廣州國聯智慧信息技術有限公司）("Global Link Intelligent"), another subsidiary of the Company, provides payment solutions to intelligent transportation, which are CA-SIM based application with solutions to secure authentication and payment function. It also provides optimized customer relations management (CRM) services which combines traditional voice services with Internet CRM services to optimize human and system resources, and integrate more CRM value-added services.

## 2. OUR APPROACH TO ESG

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

The Environmental, Social and Governance Executive Committee of the Group is responsible for the performance on sustainable development and receives one formal reporting on environmental, social and governance at least once a year as well as update reports on a quarterly basis. Key issues on environmental, social and governance are proposed at the Board. The Group has established a structure to implement environmental, social and governance plans with different functional scopes across the Group and set up working groups on each subsidiary.



In 2020/2021, our Environmental, Social and Governance Executive Committee focused on:

- Compliance – Compliance operation to ensure that the Group responsibly operates and abides by external laws, regulations and internal policies.

- Infection control – Implementation of suggestions on the prevention of the COVID-19 disease released by local disease control centers.

- Actively participating in "Outline for the Construction of National Strength in Transportation" and consistently achieving intelligent, safe, green and shared urban rail transit with increasingly innovative train information system products and technologies and uninterrupted operation and maintenance services.

- Ensuring high quality of products and meeting the highest safety standards.

- Reducing carbon emission from the businesses of the Group and strengthening the environmental design and sustainable operation of the products of the Company and maintaining close cooperation with suppliers and customers.

- Enhancing the sound relationship with employees through various communications and staff activities.

## 3. OUR STAKEHOLDERS

The management of stakeholders is the process through which we stay connected with our customers, employees, shareholders, investors, suppliers and the wider communities in which we operate. We believe that the approach of stakeholder engagement is integral to the development of our sustainability strategy, and is also a pre-requisite for our long-term sustainable growth.

The Group has adopted the open policies to encourage suggestions or comments given by our stakeholders through various communication channels. Since the 2018 financial year, we have developed a stakeholder engagement procedure, which helps us identify which sustainability issues are most important to our stakeholders and report our sustainability approach, performance and activities to address their material concerns and priorities. Our purpose is to engage with those who are directly affected, either economically, environmentally or socially, by our operations and to ensure that our sustainability strategies, activities and reporting process would meet or exceed their expectations.

The selection of stakeholder groups is determined by the Environmental, Social and Governance Executive Committee. In the 2020 and 2021 financial years, we have selected a number of representative customers and suppliers from the Company's different product lines, a range of employees from all levels in the Company, our major shareholders and investors, and communities with whom we were actively involved. As part of our annual review process, we also engaged our stakeholders through their preferred communication channels to conduct our materiality assessment surveys.

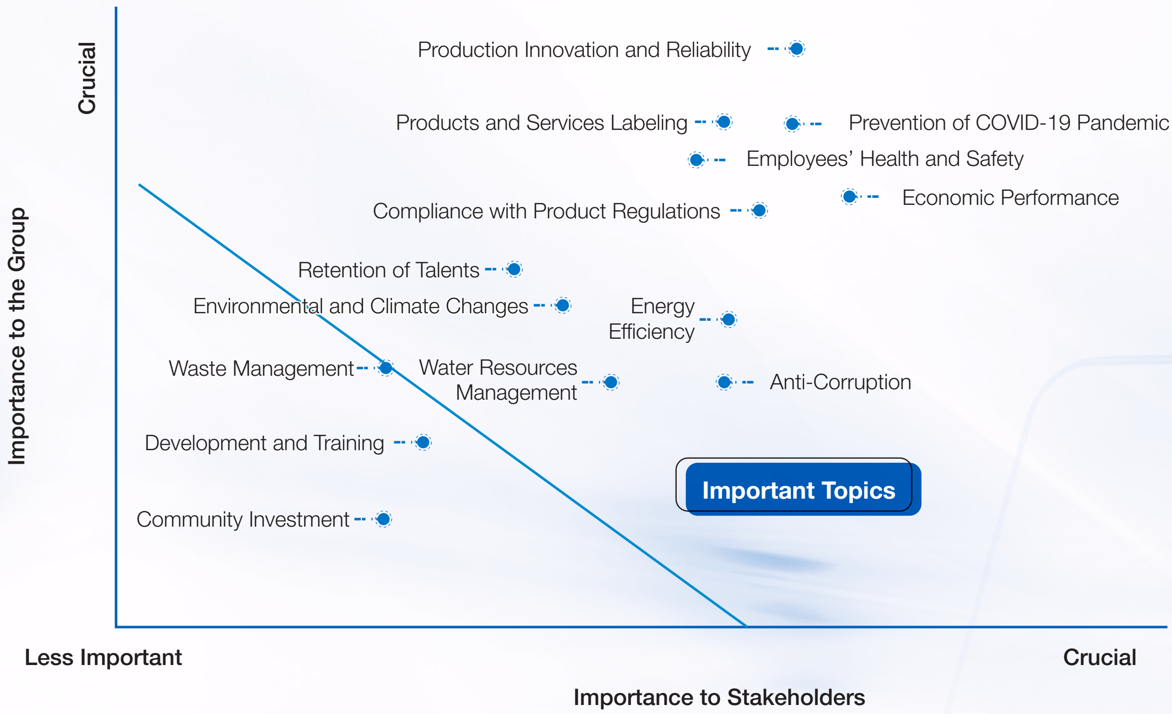
Our Environmental, Social and Governance Executive Committee has also developed an approach which identifies the broad topics that the stakeholders are concerned with, and used a materiality matrix to assess the material topics identified by our stakeholders during the engagement process. An topic is classified as "material" when it substantially affects our long-term commercial or operational viability, with material impacts on economic, environmental or social topics.

The following table presents a list of our stakeholders and their interests and how we engage with them.

| Stakeholder | Topics Concerned | Communication Channels |
|---|---|---|
| Shareholders | ▪ Return on investment<br>▪ Development plans of the Company<br>▪ Legal and compliance operation | ▪ Annual and interim results announcement events<br>▪ Annual and interim reports<br>▪ Regular meetings and correspondence |
| Investors | ▪ Business performance<br>▪ Development plans of the Company<br>▪ Legal and compliance operation | ▪ Annual and interim reports<br>▪ Feedback to media enquiries<br>▪ Media conferences<br>▪ Regular meetings and correspondence |
| Customers | ▪ Product quality and reliability<br>▪ Customer support<br>▪ After-sale services<br>▪ Legal and compliance operation | ▪ Customer satisfaction surveys<br>▪ Customer visits or meetings<br>▪ Exhibitions<br>▪ Product training<br>▪ Customer service hotline and email |
| Employees | ▪ Working conditions and welfare<br>▪ Employees' health and safety<br>▪ Employee communications and engagement<br>▪ Career development and training<br>▪ Prevention of COVID-19 pandemic | ▪ Performance reviews<br>▪ Occupational health and safety training<br>▪ Career and product training<br>▪ Regular meetings with employees by management<br>▪ Suggestion box, emails and notice board<br>▪ Newsletter |
| Suppliers | ▪ Supplier quality performance<br>▪ Quality of raw materials<br>▪ Legal and compliance operation<br>▪ Customer support and after-sale services | ▪ Annual business review meeting<br>▪ Supplier audits<br>▪ Procurement arrangements |
| Community | ▪ Environmental protection<br>▪ Local community activities involvement<br>▪ Legal and compliance operation<br>▪ Prevention of COVID-19 pandemic | ▪ Communications through email and phone calls<br>▪ Sponsorship<br>▪ Participation in local community activities and volunteering work |

## 4. MATERIALITY ASSESSMENT

Based on the matrix chart below, the Group believes that these topics are considered as material for reporting on the basis that they have significant impact on environmental and social improvements through our enhancement in operations. Five out of these topics were identified as the most important to our stakeholders and the Group, including production innovation and reliability, prevention of COVID-19 pandemic, employees' health and safety, economic performance, products and services labeling and compliance with product regulations. Such approach could help us priorities our corresponding sustainability activities and monitor the sustainability progress of the Group.




## 5. ENVIRONMENT

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

We have developed a high-performance production chain to maximize our resources efficiency and improve the environmental production technologies while maintaining a green manufacturing and logistics practice. We also have policies in place to ensure that our operations are compliant with all the relevant legal and statutory requirements.

### Environmental Policies of Global Link

We are devoted to implementing the following principles to minimize the impact of our operation on the environment:

– Abiding by all relevant environmental, legal and statutory requirements

– Ensuring the environmental system of production facilities meeting the ISO 14001 standards

– Performing environmental responsibilities in daily operation

– Enhancing the awareness of customers, employees and suppliers on environmental protection and resources efficiency.

To achieve the above targets, Global Link has established a team consisting of employees from different departments and reviews the policies of the Group each year to ensure the policies meeting the demands and are appropriate.

As an environmentally conscious company, we strive to operate our manufacturing processes and facilities in a manner that minimizes the negative impacts to the environment, and ensure that our operations are compliant with all the relevant environmental, legal and statutory requirements. By implementing the high performance production chain, we have improved our resources efficiency and productivity while maintaining our green manufacturing practice. Through the adoption of the green logistic management approach, and choosing the most eco-friendly transportation mode for delivering our incoming materials from suppliers and outgoing products to our customers, we have also further reduced our GHG emissions.

In order to further improve our production efficiency and flexibility, our manufacturing team has been implementing our lean manufacturing principles. The idea of lean manufacturing is to add value at each production stage while reducing the handling time in each process and increasing the flexibility for production. It shortens the through-put time and minimizes the idle time during the process.

In addition, we have incorporated the ergonomics and human factors in our assembly production lines to improve the flexibility of the assembly process and avoid unnatural movements and heavy lifting, increasing the overall productivity. The mobile workstations are designed to help employees to reach the parts and equipment that they need with minimum motions. The set-up of these workstations has improved the conveyance of bulky objects from one workstation to another, while improving the flow along the assembly and product inspection process.

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

## 5.1 Emission

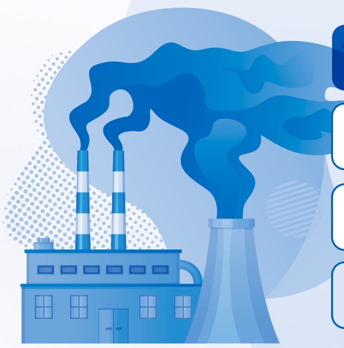
The Group's operations generate 3 types of emissions, namely, greenhouse gas emission, waste and waste water.

### *5.1.1 Greenhouse Gas Emission*

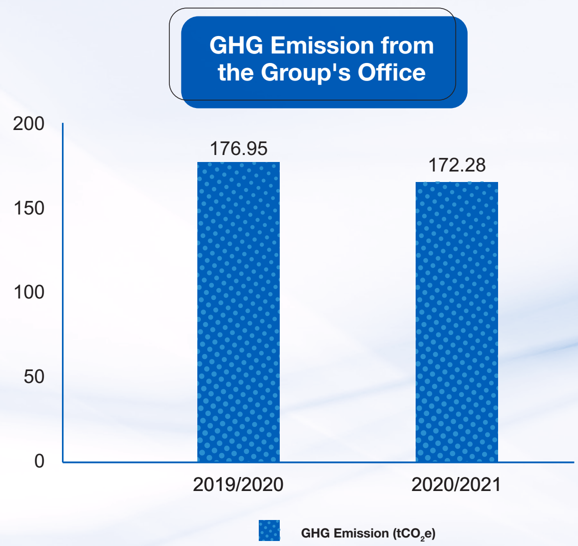
Greenhouse gas ("GHG") emission (or "carbon emission") is closely related to climate change, which brings long-term risks and opportunities to enterprises. To better understand, quantize and manage the impacts and risks of carbon and climate change and investment opportunities, we have to measure and appraise them. As the first step, we disclose our carbon footprint. Such information will lay foundation for the formulation of relevant carbon strategies and the determination of targets on carbon reduction.

The electricity consumption in our office was the primary source of our GHG emission. The second primary source of GHG emission was the use of petrol for vehicles of the Company.

During the reporting period, the Group's GHG emissions from the Company's office amounted to a total of approximately 172.28 tonnes of $CO_2$ equivalent ("$tCO_2e$"). Details of the GHG emissions are summarized as follows:



| 2020/2021 | | |
|---|---|---|
| GHG | Emission | Density (Emission/number of employees) |
| Scope 1 Direct GHG Emissions | 12.63 $tCO_2e$ | 0.05 $tCO_2e$ |
| Scope 2 Indirect GHG Emissions | 159.65 $tCO_2e$ | 0.70 $tCO_2e$ |
| Total GHG Emission | 172.28 $tCO_2e$ | 0.75 $tCO_2e$ |



*5.1.2 Waste*

We aim to operate our plants with maximum resources efficiency by minimizing the materials used throughout the manufacturing process and increasing the use of reusable materials. We keep track of the materials that we use, aiming to minimize unnecessary waste of materials from the product design, downsize the PCB rims and reduce the use of packaging materials.

As system developers and service providers, we do not directly generate large amounts of waste from the Group's operations. Our non-hazardous waste such as paper, and glass bottles are separated and recycled. The office and domestic waste generated in the office are collected and disposed of by the property management company. For our Guangzhou R&D and Assembly Centre, non-hazardous waste mainly includes cartons, wooden frames and foams delivered by suppliers for guaranteeing the delivery of products. They are not recycled and discarded to the designated place based on the requirements of the property management company.

*5.1.3 Wastewater Discharge*

Our water consumption is mainly attributable to general domestic water and wastewater is mainly from restrooms and canteens. The administration department has installed dual flush toilets and sensor taps in our office and production workshops to reduce water consumption. Our domestic sewage is directly discharged into the local municipal drainage system.

## 5.2 Use of Resources

*5.2.1 Energy Consumption*

Our production facilities mainly include the assembly of vehicle systems. Our operation facilities will cause direct (scope 1) and indirect (scope 2) carbon emissions for the use of energy. To minimize the impact on the environment, the Group carries out energy-saving plans and activities, which significantly reduced energy consumption and carbon emission. Direct emission (scope 1) accounts for less than 7.9% of total emissions from plants of the Group. As electricity has significant effects on the indirect carbon emission (scope 2) from the Group's businesses, most of the energy-saving activities of the Group are on reducing the consumption of electricity.

Approximately 178,197 kWh of electricity were consumed by the Group during the reporting period. The intensity of electricity based on consumption per headcount is 778.

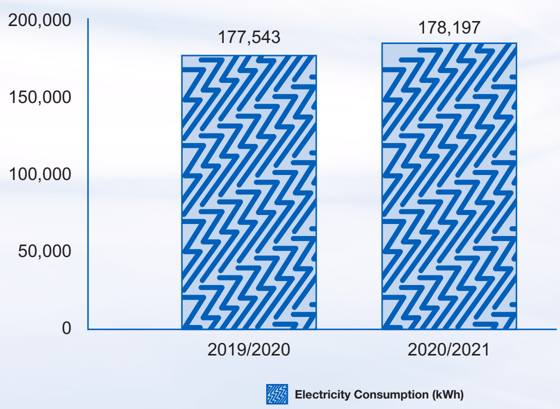
The electricity consumption of the Group increased by 0.3% as compared with the last year, but the intensity of electricity based on consumption per headcount reduced from 892 to 778. As a part of the evaluation on our annual energy management system, we can carefully analyze our total energy consumption through all parts. Analysis results show that more vehicle systems are required as the state advances the intelligent transport scheme. The increase in our business last year contributed to the increase in electricity demand.

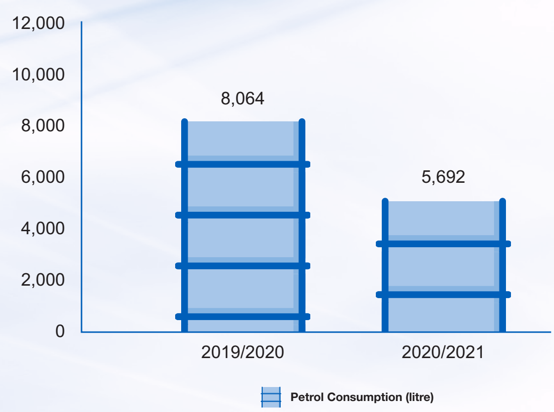
*5.2.1 Petrol*

The Group owns six small cars to satisfy its corporate affairs. Vehicles of the Company are the secondary source of our emissions. During the reporting period, such vehicles consumed a total of 5,692 litres of petrol.

Due to the surging oil price and the expected continuous fluctuation, the Group has implemented an action plan on oil saving to reduce petrol consumption. The plan encourages drivers to plan the trip, accelerate appropriately in driving and conduct regular maintenance on vehicles, including regular tire inspections. The use of poor tires will increase petrol consumption. The Group has reduced petrol consumption due to the implementation of the plan.

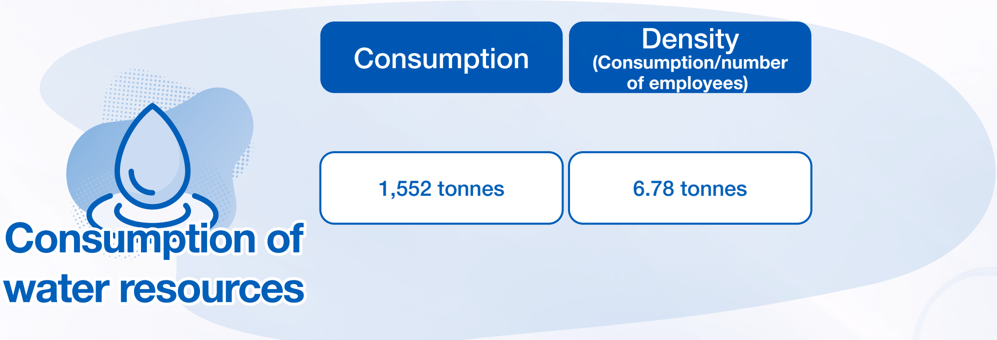
| Energy | Consumption | Density (Consumption/number of employees) |
|---|---|---|
| Electricity | 178,197 kWh | 778.15 kWh |
| Petrol | 5,692 litres | 24.85 litres |

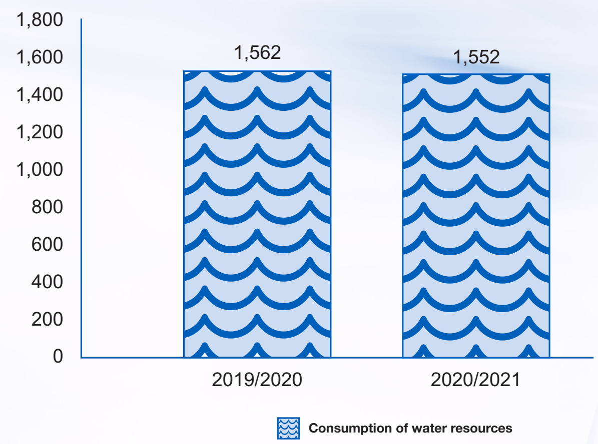


*5.2.3 Water Resources*

Clean water is a valuable resource, which we are committed to conserving. We only use tap water supplied from municipal sources and do not have any on-site wells or boreholes. To control water pollution, we strictly follow local requirements on wastewater discharge. The wastewater of the Group is mainly from water dispensers and the water for washing hands and cups with a small quantity of consumption but a large quantity for shared areas. In order to increase the awareness of conserving water resources, the Group advocates saving water in the offices and has pasted reminders on saving water at washing basins. There was no issue in sourcing water that is fit for our purpose and we have improved our equipment by installing dual flush toilets and sensor taps.



#### 5.2.4 *Energy Use Efficiency*

The Group is devoted to effectively using energy and minimizing the emission of waste. We have implemented different measures on saving energy and reducing emissions in routine business. Improving energy efficiency is the basic strategy on reducing the emission of greenhouse gas related to energy consumption. The Group has adopted the following major measures in saving energy and reducing emissions:

1. Strictly implement the rules of the Company on the use of vehicles, obtain approval on the use of vehicles for business office and reception before using vehicles, keep detailed registration on the use of vehicles and strictly control vehicle refueling and other fees;

2. For the use of electricity, it requires staff to turn off lights and computers before leaving the office. Turn on air-conditioners only when the exterior temperature is above 28℃ and keep air-conditioning temperature at no lower than 26℃. Administrative Department performs check on the electricity control at the end of the day. The Company installs single-cooling household air-conditioners, which can save electricity.

3. Water consumption of the Company is mainly attributable to drinking water and the water for washing hands, cups and lunch boxes by employees with a small quantity of consumption. Meanwhile, the washing basin in the tea room is pasted reminders on saving water.

4. Environmental use of office paper: It encourages double-sided printing in documents printing and photocopying by all departments. It encourages the use of reusable paper when conditions permit.

5. The Company advocates energy saving and environmental protection and consistently publicizes among employees. The Employee Handbook sets out relevant standards on energy saving and requires employees to study and abide by. Relevant contents are covered in induction trainings on new employees. Meanwhile, it irregularly emphasizes relevant matters in routine work.

### 5.3 Environment and Natural Resources

The Group is well aware of its own obligations on environmental protection and continually explores the integration of the sustainable development concepts into corporate planning to consistently improve the environmental management system and reduce the impacts of production and operation on the environment. In view that the Group mainly serves rail transit operators in different countries, customers have higher requirements and expectations on the environmental management and performance of suppliers. We consider this as an opportunity to improve the energy efficiency and resources utilization and reduce the negative effects on the environment through the optimization of the production process. We strive to actively respond to customers' pursuits and expectations and jointly respond to the challenges of the global environmental pollution and resources shortage.

### 5.4 Climate Change

Rail transit is featured with high speed, high safety, large transport capacity, energy conservation and environmental friendliness, punctuality, comfort and other distinctive advantages. It is an integral part of the urban transit system as well as an effective prescription to solving and responding to metropolitan maladies.

The development of rail transit is an effective approach to solve metropolitan maladies and build green cities and intelligent cities. Rail transit was born in densely populated metropolises and is deeply connected to the economic, social and environmental sustainable development of cities. It is of great value in achieving good health and well-being, improving energy efficiency, developing high-quality and reliable infrastructure, responsible production, responding to climate change and other targets among the 17 sustainable development goals (SDGs) and directly promotes the construction of inclusive and safe sustainable cities and communities.

Urban rail transit can facilitate the efficient and safe travelling of citizens, reduce traffic jams, optimize urban spatial structure and layout, improve urban environment, improve urban transit efficiency, promote the development of relevant industries and accelerate urban economic development.

Reducing environmental pollution. Environmental pollution from vehicles mainly includes exhaust emissions, vehicle noises and vibration disturbance. Vehicle exhaust emissions have become a key element in climate and environmental issues. Currently, vehicle exhaust has replaced industrial production as the primary source of urban waste gas in the PRC. Rail transit vehicles are generally driven by electricity with little dust, smoke and other waste gas emissions. Rail transit is operated underground with a low traffic density and is featured by day operation and night suspension, which has few impacts on the acoustic environment.

The Group regards responding to climate change as a strategic issue concerning its own development. Leveraging on the advantages of information communication technologies and through management and technical innovation, the Group carries out technical innovation and practically promotes energy conservation and emissions reduction and actively responds to climate change from its own, industrial and social aspects. Rail transit is not the biggest contributor to carbon emission. As we enter the stage of low-carbon economy, rail transit will play a key role in energy conservation and emission reduction. Rail transit can reduce energy consumption and achieve the sharing of transportation. Through the on-board information systems, it can provide passengers with real-time and effective information and improve the commuting efficiency.

## 6. EMPLOYMENT AND LABOUR PRACTICES

### 6.1 Employment Practices

The Company considers human resources as one of the valuable assets of the Group. The realization and enhancement of employee value will contribute to the overall development and performance growth of the Group in the long term. Therefore, the Company intends to grow with employees by providing them with highly transparent recruitment standard, safe working environment, competitive remuneration packages, fair promotion opportunities and appropriate training and development opportunities. The Group's human resources policies strictly comply with the Labour Contract Law of the People's Republic of China and the Employment Ordinance of the Hong Kong Special Administrative Region.

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

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

The Group determines staff remuneration on basis of the market salary trend, the competence, qualifications and experience of individual employee. The Group also offers discretionary rewards based on the performance of individual employee during the year with a view to encouraging employees to contribute to the development of the Company. The Company makes contributions for pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and housing fund for its employees in Mainland China according to the provisions of the Social Insurance Law of the People's Republic of China and the Regulations on the Administration of Housing Fund and makes contributions to social insurance funds to all full-time domestic employees according to relevant provisions of the PRC and local policies on contributions to social insurance. The Company also makes contributions to the Mandatory Provident Fund for its Hong Kong employees pursuant to the laws of Hong Kong. The Company regularly reviews the compensation policy and system to ensure that employees' remuneration are in line with the commensurate market level and are fairly and equally paid.

The Group has defined the job qualification and job description for each position as criteria for employing new staff. Recruitment channels include campus recruitment, online recruitment, open recruitment, internal referral and head hunters. Each applicant's academic qualifications and related work experience are subject to verification

The Group monitors the performance of employees to see if they can meet the requirements of their positions. Meanwhile, the Group also cares about employees' expectations on their personal career development. As such, the Group has formulated evaluation appraisals and promotion mechanism, which serve as a sound platform for employee's career development and provide a solid foundation and strong momentum for the sustainable development of the Group.

The Group adheres to the principle of fairness in the provision of employment opportunities, compensation, education, performance evaluation, promotion and other issues without any discrimination on gender, age, ethnicity, religion, culture and educational background. The Group is committed to providing all staff with a fair platform for development, protect their legal rights and interests, and create a fair and harmonious working environment.

The Group has also formulated strict and careful procedures for dismissal in accordance with the relevant laws and regulations of the PRC and Hong Kong. For any employee of the Group who is guilty of serious misconduct or material violation of the relevant laws and regulations or material breach of the Group's related rules and regulations, the Group may terminate its employment contract.

The working hours of the Group's staff are in compliance with the relevant requirements of the Labour Contract Law of the People's Republic of China and the Employment Ordinance of the Hong Kong Special Administrative Region. Most of the staff of the Group work 5 days per week. The rest days and statutory holidays of employees are in compliance with the relevant laws and regulations. In addition, the Group also provides paid annual leave. Employees are entitled to paid annual leave every year according to their ranking and period of services.

*6.1.1 Employee Structure and Turnover*

The Company understands and recognizes the benefits of diversified staff structure and regards it as one of the important elements in sustaining a long-term competitive advantage of the Company. A multicultural company should be comprised of employees with different gender, age, ethnic group, religion, skills, educational background, industry experience and other qualities so as to achieve the most appropriate structure and balance. As at 31 March 2021, the number of employees of the Group was 229 while male to female ratio was about 3:1.

Due to the outbreak of the COVID-19 pandemic last year, the production was suspended in the first half and many domestic employees resigned, resulting in a higher employee turnover rate. As at 31 March 2021, the distribution of employees by gender, geography, function and age and the employee turnover rate of the Group are as follows:

| As at 31 March 2021 | | | |
|---|---|---|---|
| | **Gender distribution of employees** | **Percentage in total** | **Employee turnover rate** |
| Male | 165 | 72.05% | 37.58% |
| Female | 64 | 27.95% | 14.06% |

| As at 31 March 2021 | | | |
|---|---|---|---|
| | **Age distribution of employees** | **Percentage in total** | **Employee turnover rate** |
| Below 25 years old | 78 | 34.06% | 62.82% |
| 25 – 34 years old | 88 | 38.43% | 19.32% |
| 35 – 44 years old | 35 | 15.28% | 11.43% |
| 45 – 54 years old | 25 | 10.92% | 4.00% |
| Above 55 years old | 3 | 1.31% | 0.00% |

| As at 31 March 2021 | | | |
|---|---|---|---|
| | **Functional distribution of employees** | **Percentage in total** | **Employee turnover rate** |
| Management | 33 | 14.41% | 0% |
| Ordinary employees | 196 | 85.59% | 36.22 % |

| As at 31 March 2021 | | | |
|---|---|---|---|
| | **Geographical distribution of employees** | **Percentage in total** | **Employee turnover rate** |
| Hong Kong | 9 | 3.93% | 0% |
| PRC | 220 | 96.07% | 32.27% |

### 6.2 Health and Safety

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

The Group implements the ISO18000 occupational health and safety administration systems and has successfully passed the new version of the ISO45001: 2018 external verification and review. The Company has been consistently and earnestly implementing standards and carrying out internal management based on standards.

We conveyed our policies on occupational health and safety in our Employee Handbook and the Code of Conduct. Chapter 14 of the Employee Handbook is about safety management and Chapter 15 is about the treatment of work-related injuries. We focus on trainings on safety and fire prevention for new employees in induction trainings on new employees.

We focus on the following two sectors to reduce occupational dangers and health and safety risks:

1. Occupational health management; and

2. Safety settings in workplaces, such as fire prevention measures.

We checked the temperature of all employees every day during the outbreak of the COVID-19 pandemic.

The Group has adopted the following measures to reduce the chances of being infected by the COVID-19 in production workshops:

- In public areas such as the reception desk, each staff is provided sufficient 70% alcoholic liquid soaps.
- Employees are provided a mask every day.
- It adopted flexible working hours for employees to avoid commuting during rush hours.

In addition to the prevention of accidents, we also invested resources to enhance the health awareness of employees. All employees of the Group are covered by medical insurances.

Despite the low risks of danger on working in the Group, we should not adopt a casual attitude. The Group appraises and identifies safety risks on all facilities and workplaces and proposes the corresponding prevention measures. For example, it regularly checks first-aid kits and fire-fighting devices to ensure that they are placed in obvious positions and under appropriate maintenance.

During the reporting period, the Group recorded zero work-related accidents and zero work-related lost days. We did not discover any material violation of occupational health and safety related laws and regulations.

### 6.3 Development and Training

The Group attaches great importance to the development of employees and stimulates the development potential of talents to promote the business development of the Company. The Group formulated internal training polices to enhance the individual working skills of employees and fully display their value to the development of the Company.

The Administrative Personnel Department of the Group has set out the Training Management System. All departments submit the annual training demands at the beginning of the year for implementation after being reviewed and approved by the general manager. The Administrative Personnel Department is responsible for supervising and organizing trainings for employees. The Administrative Personnel Department organizes "induction training for new employees" and all internal departments irregularly organize trainings and appraisal on working skills for filing with the Administrative Personnel Department. Employees may apply for external trainings in advance and shall provide appraisal and reimbursement evidence.

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

For our Guangzhou R&D and Assembly centre, we provide targeted skills training programs based on job roles. The training is in various forms, including training externally, internal centralized training, on-site guidance, and apprentice training. Every training is serialized to ensure that every employee can master proper skills, knowledge, and skills for their working fulfillment and growth. The average training time for our Group's employees is approximately 36.69 hours annually.

Each newly appointed director of the Company is provided a package comprising induction materials to have an appropriate understanding of the business of the Company and the duties of directors (in accordance with the Listing Rules and relevant statutory and regulatory provisions). In addition, it regularly provides directors with updated materials on the business performance and development of the Group. In addition, the Company encourages all directors to attend courses and seminars on sustainable professional development to develop and update their knowledge and skills.

**Average training hours completed per employee**

36.69 hours
All employees

**Percentage of employees trained by gender**

100%
Male

100%
Female

**Percentage of employees trained by employee category**

100%
Management

100%
Non-management

### 6.4 Labour Standard

Global Link attaches particular importance to the rights and human rights of labours and has set out clear policies on human resources management for implementation:

In particular, the Group will ensure that:

1. No employment of child labours – Job applicants must be at least 16 years old.

2. Free chosen employment – We ensure that the terms of employment are voluntary. Our employees work at Global Link of their own free will and are free to leave the Company upon reasonable notice under the related company regulation. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment, unless required by applicable law.

3. Remuneration and benefits – We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements of the country where employees are employed. We do not make any deductions from wages as disciplinary measure.

4. Equal opportunity and no discrimination policy – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job-related factors. Remuneration is determined with reference to performance, qualifications and experience.

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

6. Harassment and abuse – We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.

The Administrative Personnel Department of the Group has procedures in place to ensure that our policies are properly implemented throughout the Company. These include training, conducting employee interviews and surveys, on-site visits and audits on a regular basis. The Group has strictly complied with the relevant labour laws and regulations in Hong Kong and the PRC.

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

## 7. OPERATION MANAGEMENT

### 7.1 Supply Chain Management

A well-established supply chain management system and a good procurement practice are crucial for our sustainable operations. We have a supply chain management system in place to monitor the quality of our suppliers.

The suppliers of the Group mainly include manufacturers of network equipment and other electronic components. Logistic providers form the bulk of the latter part of the supply chain. We recognize that extreme events can delay the supply of materials and given the nature of some of the major activities, may also pose social and environmental risks. In order to mitigate the risks to the Group and its customers, we have a supply chain management system in place to monitor the suppliers' quality, as well as their sustainability performance to minimize the potential disruptions that might hinder the effectiveness of our supply chain.

In order to ensure the quality of our finished products, it is essential to have a sustainable supply chain. We ensure that we could achieve this by building a long-term relationship with our suppliers based on a mutual trust. All purchases made by the Company are handled by procurement team in a fair, objective and professional manner.

The Contract Execution Department of the Group is responsible for the formulation, implementation and maintenance of the Procurement Control Procedures to manage and control the procurement process. It implements control requirements of different types and extents on suppliers and products procured based on the impacts of the products procured on the subsequent achievement of products or final products to ensure that the products procured meet the procurement requirements.

The Quality Department of the Group carries out inspections on suppliers of materials and arranges relevant departments to evaluate whether suppliers meet the requirements of the Company and the capabilities to provide products. It analyzes, sorts out, appraises and determines qualified suppliers or re-appraise suppliers based on the Supplier Management Procedures and proposes and develops the list of qualified suppliers of the Company.

The Group develops suppliers with the purpose of improving the operating performance of suppliers. When suppliers cannot meet technical and/or performance requirements, the R&D Center arranges technical personnel to guide or train the suppliers to improve the quality of products supplied by them. The Group conducts dynamic control over suppliers in routine courses and makes timely adjustments mainly based on their performance. It carries out at least two re-appraisals on suppliers each year.

The procurement standards of the Group mainly depend on the price, quality, delivery capability and reputation of suppliers. We also consider the integrity, social and environmental responsibilities of suppliers.

During the reporting period, Guangzhou Global Link maintained relationship with 114 suppliers, of which 80 suppliers are from Guangdong province, 34 from other provinces. Our key areas of spending include electronics and network equipment, as well as the procurement of services.

### 7.2 Product Responsibilities

With the approaching of the information technology era, the demand for mobile communications in China has been increasingly boosting. The emerging of the new-generation 5G technology satisfies the demand for communications to certain extent. In particular, the application of 5G communication technology in urban rail transit not only facilitate communications among people but also improved the safety, reliability and stability of urban rail transit systems, providing guarantees to the life safety of passengers to certain extent and promoting the stable development of urban rail transit in future technologies.

Global Link has been applying 5G technology in recent years and has played its role in the daily lives of millions of commuters, ensuring that they have a safe and comfortable subway ride, and to receive the latest update information on the arrival station, and to watch programs and advertisement.

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

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

Global Link Intelligence mainly engages in developing products and livelihood application for the smart city, and also provides optimized CRM services.

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

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

During the period under review, the Company recorded no recall of products due to quality issues.

*7.2.1 Product R&D*

To ensure the sustainable development of Global Link and achieve the advanced and leading position of the Company and its products in the industry, the Group has been conducting independent R&D and attaching great importance to innovation. It increased labor, material and capital inputs in R&D and established the New Products Development on the basis of the original R&D Center to be responsible for the preliminary research on the new-generation digital broadcasting system. Current R&D and technical employees of the two R&D departments with a bachelor's degree or above account for approximately 60% of the total number of employees of the departments.

During the year, the R&D departments have successfully completed the R&D and preliminary inspections on the PIS project of new metro lines. Meanwhile, various innovation results have been achieved. The New Products Development has completed the development of software and hardware for the new-generation built-in core boards for the digital broadcasting system and the new project is pending trial operation. The R&D Center completed the update and replacement of core boards for three-layer switches in the driver's room, which improves the reliability of current systems and reduces the production costs. Based on the demands of metro projects, it newly developed forward-looking recorders and has put them into trial production in bulks.

*7.2.2 Product Quality*

Global Link has implemented a comprehensive quality management system framework to set up quality assurance policies and procedures to address the product quality and reliability on a regular basis, as well as improve the work efficiency. Our Quality Department is responsible for formulating, implementing and maintaining the Product Monitoring and Measurement Control Procedures and conducts supervision and measurement on the features of products to ensure all selected parts and components comply with required specifications, international and local standards before production, whereas the in-process quality audit could constantly improve our manufacturing process, production efficiency and consistency.

Our Quality Department has established and maintained records showing the products have been tested and trialed. Such records explicitly show whether such products have passed tests and trials based on relevant acceptance standards with the employees with the authority to approve such products. It also maintained traceability records. Otherwise, it is not allowed to approve products and deliver services to customers before the completion of all required activities.

The trial records shall display truthful trial results based on regulations and requirements on trial plans for acceptance. Where it is required to display the qualification of products, the Quality Department shall ensure that there is evidence for such records, showing that the products meet the provisions.

To ensure the identification and control of disqualified products and avoid unexpected use or delivery, the Quality Department formulated, implemented and maintained the Procedures on the Control of Disqualified Products, specifying relevant responsibilities and authorities on the control and disposal of disqualified products.

The Quality Department disposes disqualified products based on the Procedures on the Control of Disqualified Products and the R&D Center is responsible for reviewing disqualified products and making decisions on the disposal. Relevant departments are responsible for the implementation of the disposal measures and reporting the implementation results.

We verify the reliability and compatibility of products through the inspection on the quality of finished products. In addition to ensuring that the products meet the requirements on specifications, we also ensure the products are perfect and flawless upon delivery. The Group wins customer trust through after-sale services and quality management and ensures that the products meet customers' expectations.

*7.2.3 Handling of Customer Complaints*

In order to improve service quality, the Company has formulated the Customer Complaint Handling Process for internal reference and established the Customer Service Department to handle general inquiries and complaints, and to provide customers with explanations and answers patiently. It ensures the timely and proper handling of products with customer complaints to practically guarantee customers' benefits, improve the quality of services, perfect the service systems and consistently meet customers' satisfaction. Specific responsible departments and their authorities are as follows:

- The Marketing Center is responsible for answering complaint calls, written complaints and other complaints from customers, understanding the specific contents of customer complaints and pacifying customers. It also sends the products with customer complaints to the Company for testing and analysis.

- The Production Center is responsible for customer complaints on abnormal production indicators and disqualifications as a result of production reasons.

- The R&D Center is responsible for providing analysis on reasons and rectification and prevention measures for complaints on the characteristics of products and is responsible for providing analysis on reasons and rectification and prevention measures for customer complaints.

- The Contract Execution Department is responsible for providing analysis on reasons and rectification and prevention measures for customer complaints due to abnormal transportation and supervising carriers in improvement. It also provides analysis on reasons and rectification and prevention measures for customer complaints on abnormal raw materials and supervises the implementation by suppliers.

- The Quality Department assists in investigating and judging the reasons for complaints and the handling procedures, transfers customer complaints to relevant responsible departments for analysis, summarizes the analysis of all departments and follows the effects of improvement.

We are well aware that maintaining the long-term and friendly partnership with customers is the cornerstone for the sustainable development of an enterprise.

The Group is devoted to improving services, optimizing the mechanism on customers' comments and feedbacks, carefully analyzing customers' feedbacks, identifying potential dissatisfactions and adopting preventive measures. The Group collects customers' comments and suggestions through telephone calls or emails, carries out annual surveys on customer satisfaction, conducts timely improvement and seeks innovative methods based on survey results to practically respond to customers' demands.

*7.2.4 Intellectual Property Rights*

Global Link is devoted to protecting its own intellectual property rights, whilst respecting the intellectual property rights of others as well. The Administrative Personnel Department of the Group is responsible for formulating the Intellectual Management and Control Procedures, establishing documents on the best practices on product projects and organizing the implementation of such procedures. The procedures are updated once a year to improve the process efficiency, the product quality and delivery performance of the Company.

The business activities of the Group involve various forms of intellectual property rights, including patents, trademarks, copyrights (copyrights for computer software in particular), business secrets and domains. The Company has carried out planning and management of intellectual property rights involved.

The Group has established intellectual property rights data platforms, such as the Chinese and foreign patents database, the Chinese technology journals database and the Chinese and foreign standards database to master the latest information Chinese and foreign data, avoid the capital waste of the Company as a result of repeated studies and the infringement of others' intellectual property rights.

On the basis of the analysis on costs and expected revenue, the Group appoints professional agencies to apply for intellectual property rights with significant effects on the Company, such as trademarks, patents, copyrights and domains, to safeguard the benefits of the Company to the largest extent. During the cooperation with other companies or individuals, it will specify detailed provisions on the ownership, scope of use and term of intellectual property rights involved and the distribution of subsequent R&D results and enter into relevant legal documents.

Prior to the R&D of new technologies, it shall look up relevant technologies and check if others have developed such technologies or whether they would infringe others' patents to avoid carrying out projects blindly. After making R&D decisions, it shall enter into confidentiality agreements with technical employees and specify that the technical results from the study shall belong to the Company and technical employees shall not carry relevant technical materials after resignation. They shall not carry out the same, similar or competitive work with the former employer within a certain period. It shall have set up archives to guarantee complete records on the technical progress and appoint patent agents to apply for the patents after the completion of the development stage.

For the use of patented technologies involved and the charges based on the contents of cooperation during the cooperation between the Company and other units, it shall enter into the Patent Licensing Contract, the Technical Development Contract, the Technology Transfer Contract, the Technical Consultancy Contract and the Technical Services Contract in a timely manner.

If others are found having applied similar patents subsequently, the Company may exercise the priority right to apply for the invalidity of such patents applied by others. If others are found to use its own patented technologies, it shall investigate and obtain evidence for the infringers, the place and scale of infringement, the gains from infringement or the losses of the Company in a timely manner.

Without the permission of the Group, third party cannot use or display any related intellectual property rights. The Company will take legal actions and seek for judgment for any infringement of its intellectual property rights or misuse of its intellectual properties.

*7.2.5 Customer Data Privacy*

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

The Administrative Personnel Department of the Group is responsible for formulating, implementing and maintaining the Confidentiality System on Customer Information, strengthens the confidentiality management on customer materials and information, prevent and eliminate the divulgence of secrets and safeguard and guarantee the legitimate interests of customers not being infringed.

The confidentiality system requires project managers, the direct responsible persons, having a strong sense of confidentiality. It requires adopting necessary confidentiality measures in all links involving customer information in routine work to prevent the divulgence of information. For example, computers shall be encrypted; paper documents with customer information shall be properly maintained; customer faxes and accounting opening information shall be properly handled and shall not be discarded arbitrarily.

No one is allowed to copy and extract customer information without approvals from the marketing supervisor and leaders above the level. For the transmission and receiving, delivery and carrying of customer information, it shall designate specific responsible persons and adopt necessary safety and confidentiality measures in the principles of vertical information management and avoiding cross flow. For example, for the summarization of the list of customers in daily work report, it shall summarize at the marketing supervisor's office under unified arrangement. When the marketing supervisor distributes relevant customer information, the information shall be sent to the responsible person directly to avoid the divulgence of secrets in intermediate links.

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

All our employees who come on-board are trained and informed about the Confidentiality System on Customer Information of the Group.

### 7.3 Anti-Corruption

Chapter 13 Interest Conflict of the Employee Handbook of Global Link specifies the prohibited activities on anti-corruption and the provisions on treatment of violation of regulations. It establishes standards on employees' behaviors and requires employees acting with high integrity and a righteous attitude.

We have additional codes for employees in particular risk-related areas to cover conflicts of interest, bribery, accounting standards and internal management. Employees are required to confirm that they have understood the Code of Conduct appropriate to their role and position in the Company on joining and provide annual confirmation of compliance in writing. Each employee is required to strictly follow the Code of Conduct and moral standards. The Group has explicitly required all employees abiding by relevant regulations and strictly prohibits the acceptance of any forms of gifts from suppliers and suppliers in the name of the Company.

The Group also follows the Anti-Corruption Convention in Economic Cooperation and Anti-Corruption in Economic Cooperation entered into with all workshops and factories, which explicitly set out all responsibilities and obligations as well as the severe consequences of the violation of such provisions. The Administrative Personnel Department released such documents in the form of email for relevant business staff to study and sign for confirmation. It requires relevant staff strictly implementing them, establishing interaction channels with workshops and factories and accepting the supervision of workshops and factories.

The Group has established a whistle-blowing mechanism. In case of any behaviors in violation of laws, moral standards or the Code of Conduct of the Company, employees may direct contact their supervisors or the Internal Audit Department. The Company will protect whistle-blowers and carry out verification and follow-up actions and strive to create a fair business environment.

Due to the ever-changing business environment, we will regularly evaluate the Code of Conduct of the Group to ensure that the Code of Conduct reflects the best global practice and meets the expectations of our stakeholders.

The Group's anti-corruption policies achieved positive results. During the reporting period, the Group recorded no lawsuits on corruption.

## 8. COMMUNITY

### 8.1 Community Investment

The Group believes that the healthy development of communities is beneficial to the community groups and the Group. To build an active corporate culture and perform the corporate social responsibility, the Group is of opinion that it shall give priority to the benefits of the community where it operates and it is one of the basic tasks in achieving sustainable development.

The Guangzhou production workshop of the Group participated in various charitable activities and provided supports to individuals in need through various channels. In particular, the Group made great efforts in education and volunteer activities, provided young people with working opportunities and encouraged them to voluntarily help disadvantaged communities and visit those in need.

## ESG INDEXES

| HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX | | |
|---|---|---|
| **Aspect** | **Section** | **Page** |
| **Environmental** | | |
| A1. Emission | 5.1 | 39 |
| A2. Use of Resources | 5.2 | 41 |
| A3. The Environment and Natural Resources | 5.3 | 44 |
| A4. Climate Change | 5.4 | 45 |
| **Social** | | |
| **Employment and Labour Practices** | | |
| B1. Employment | 6.1 | 46 |
| B2. Health and Safety | 6.2 | 49 |
| B3. Development and Training | 6.3 | 50 |
| B4. Labour Standard | 6.4 | 53 |
| **Operating Practices** | | |
| B5. Supply Chain Management | 7.1 | 54 |
| B6. Product Responsibilities | 7.2 | 55 |
| B7. Anti-Corruption | 7.3 | 61 |
| **Community** | | |
| B8. Community Investment | 8.1 | 62 |

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

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

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Global Link Communications Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 69 to 150, which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS *(continued)*

### Impairment of trade receivables and contract assets

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

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group has significant balances of trade receivables and contract assets as at year end. Given the size of the balances and the risk that some of the trade receivables and contract assets may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk.<br><br>Loss allowance for trade receivables and contract assets are based on management's estimate of the lifetime expected credit losses ("ECL") to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables and contract assets, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.<br><br>At 31 March 2021, the Group's gross trade receivables and contract assets amounted to approximately HK$55,742,000 and HK$4,611,000 respectively, against which impairment of HK$4,360,000 and HK$220,000 were provided respectively.<br><br>We have identified recoverability of trade receivables and contract assets as a key audit matter because the magnitude of the trade receivables and contract assets and the estimation and judgement involved in determining the expected credit losses allowance of the trade receivables and contract assets. | Our audit procedures to recoverability of trade receivables and contract assets included, among others, the following:<br><br>▪ understanding and validating the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables and contract assets;<br><br>▪ testing on a sample basis, the accuracy of ageing profile of trade receivables and contract assets by checking to the underlying sales invoices;<br><br>▪ testing on a sample basis, the subsequent settlement of trade receivables and contract assets against bank receipts;<br><br>▪ performing audit procedures including, amongst others, reviewing the reasonableness of significant judgement used by the management in assessing the recoverability of trade receivables and contract assets and reviewing management's assessment of the recoverability of long outstanding and overdue trade receivables and contract assets; and<br><br>▪ testing the reasonableness of management's assumptions and inputs used to develop the provision matrix, through analyses of ageing of trade receivables and contract assets and historical credit loss experience, reviewing data and information that management has used, including consideration of forward-looking information based on specific economic data, and checking the arithmetic accuracy of management's computation of the ECL. |

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

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Crowe (HK) CPA Limited**
*Certified Public Accountants*
Hong Kong, 22 June 2021

Poon Cheuk Ngai
Practising Certificate Number: P06711

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

| | Note | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|---|
| **Revenue** | 6 | **98,124** | 70,428 |
| Cost of sales | | **(83,993)** | (60,604) |
| **Gross profit** | | **14,131** | 9,824 |
| Other revenue and other net gain | 7 | **10,322** | 4,845 |
| Selling expenses | | **(10,949)** | (9,920) |
| Administrative expenses | | **(13,416)** | (13,741) |
| Fair value gain on contingent consideration payable | 25(a) | **–** | 7,236 |
| Impairment loss of goodwill | 14 | **–** | (5,716) |
| Reversal of/(impairment loss) of trade receivables and contract assets | | **2,575** | (2,440) |
| Impairment loss of intangible assets | 15 | **–** | (8,704) |
| Other operating expenses | | **(657)** | (2,880) |
| **Profit/(loss) from operation** | | **2,006** | (21,496) |
| Finance costs | 9(c) | **(832)** | (158) |
| **Profit/(loss) before taxation** | 9 | **1,174** | (21,654) |
| Income tax | 10 | **–** | (365) |
| **Profit/(loss) for the year** | | **1,174** | (22,019) |
| **Other comprehensive income/(loss) for the year:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translating financial statements of foreign operations | | **1,836** | (2,416) |
| Exchange reserves released upon disposal of subsidiaries | | **80** | – |
| **Other comprehensive income/(loss) for the year, net of income tax** | | **1,916** | (2,416) |
| **Total comprehensive income/(loss) for the year** | | **3,090** | (24,435) |
| **Profit/(loss) attributable to:** | | | |
| Equity shareholders of the Company | | **2,265** | (23,192) |
| Non-controlling interest | | **(1,091)** | 1,173 |
| | | **1,174** | (22,019) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity shareholders of the Company | | **4,137** | (25,550) |
| Non-controlling interest | | **(1,047)** | 1,115 |
| | | **3,090** | (24,435) |
| **Profit/(loss) per share** | 11 | **HK cents** | HK cents |
| – Basic and diluted | | **0.7** | (9.1) |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **2,400** | 3,612 |
| Goodwill | 14 | **–** | 15,817 |
| Intangible assets | 15 | **–** | 657 |
| | | **2,400** | 20,086 |
| **Current assets** | | | |
| Inventories | 17 | **1,804** | 2,515 |
| Contract assets | 18(a) | **4,391** | 3,609 |
| Trade and other receivables | 19 | **59,652** | 33,628 |
| Bills receivables discounted with recourse | 20(a) | **3,549** | – |
| Deposits and prepayments | 21 | **12,931** | 10,544 |
| Time deposit | 22 | **13,025** | – |
| Cash and cash equivalents | 22 | **80,825** | 94,107 |
| | | **176,177** | 144,403 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **43,490** | 30,903 |
| Consideration payable | 25(b) | **–** | 3,645 |
| Contract liabilities | 18(b) | **969** | 650 |
| Advances drawn on factored trade receivables with recourse | 24 | **5,857** | – |
| Advances drawn on bills receivables discounted with recourse | 20(a) | **3,549** | – |
| Lease liabilities | 26 | **1,284** | 1,133 |
| Provision | 27 | **1,148** | 7,721 |
| Provision for taxation | | **7,139** | 6,732 |
| | | **63,436** | 50,784 |
| **Net current assets** | | **112,741** | 93,619 |
| **Total assets less current liabilities** | | **115,141** | 113,705 |
| **Non-current liabilities** | | | |
| Lease liabilities | 26 | **412** | 1,569 |
| **Net assets** | | **114,729** | 112,136 |
| **Capital and reserves** | | | |
| Equity attributable to equity shareholders of the Company | | | |
| Share capital | 29 | **32,638** | 32,638 |
| Reserves | 29 | **82,091** | 77,954 |
| | | **114,729** | 110,592 |
| Non-controlling interests | | **–** | 1,544 |
| Total equity | | **114,729** | 112,136 |

Approved and authorised for issue by the board of directors on 22 June 2021 and were signed on its behalf by:

**Li Kin Shing**
*Director*

**Ma Yuanguang**
*Director*

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Merger reserve** | **Exchange reserve** | **Accumulated losses** | **Statutory reserves** | **Total** | **Non-controlling interests** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2019 | 20,888 | 158,967 | 2,135 | 9,661 | (110,984) | 14,585 | 95,252 | – | 95,252 |
| Loss for the year | – | – | – | – | (23,192) | – | (23,192) | 1,173 | (22,019) |
| Exchange differences on translating financial statements of foreign operations | – | – | – | (2,358) | – | – | (2,358) | (58) | (2,416) |
| Total comprehensive loss for the year | – | – | – | (2,358) | (23,192) | – | (25,550) | 1,115 | (24,435) |
| Share issued under subscription agreement | 11,750 | 29,140 | – | – | – | – | 40,890 | – | 40,890 |
| Non-controlling interest arising from acquisition of subsidiaries | – | – | – | – | – | – | – | 429 | 429 |
| Appropriation to statutory reserve | – | – | – | – | (283) | 283 | – | – | – |
| At 31 March 2020 and 1 April 2020 | 32,638 | 188,107 | 2,135 | 7,303 | (134,459) | 14,868 | 110,592 | 1,544 | 112,136 |
| Profit for the year | – | – | – | – | 2,265 | – | 2,265 | (1,091) | 1,174 |
| Exchange differences on translating financial statements of foreign operations | – | – | – | 1,792 | – | – | 1,792 | 44 | 1,836 |
| Exchange reserves released upon disposal of subsidiaries | – | – | – | 80 | – | – | 80 | – | 80 |
| Total comprehensive income for the year | – | – | – | 1,872 | 2,265 | – | 4,137 | (1,047) | 3,090 |
| Release upon disposal of subsidiaries | – | – | – | – | 285 | (285) | – | (497) | (497) |
| At 31 March 2021 | 32,638 | 188,107 | 2,135 | 9,175 | (131,909) | 14,583 | 114,729 | – | 114,729 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(loss) before taxation | | **1,174** | (21,654) |
| Adjustments for: | | | |
| Depreciation | 9(b) | **1,514** | 1,532 |
| Amortisation of intangible assets | 9(b) | **657** | 2,880 |
| Impairment loss on intangible assets | 9(b) | **–** | 8,704 |
| Gain on disposal of subsidiaries | 9(b) | **(57)** | – |
| (Reversal of)/impairment loss on trade receivables and contract assets | 9(b) | **(2,575)** | 2,440 |
| Provision for impairment of deposits | 9(b) | **–** | 417 |
| Impairment loss of goodwill | 9(b) | **–** | 5,716 |
| Fair value gain on contingent consideration payables | 25(a) | **–** | (7,236) |
| Bank interest income | 7 | **(951)** | (1,026) |
| Gain on disposal of other financial assets | 7 | **(128)** | (235) |
| Finance cost | 9(c) | **832** | 158 |
| Loss on written off of property, plant and equipment | 9(b) | **–** | 19 |
| **Changes in working capital** | | **466** | (8,285) |
| Decrease/(increase) in inventories | | **537** | (1,702) |
| (Increase)/decrease in trade and other receivables | | **(30,545)** | 13,332 |
| (Increase)/decrease in bills receivables discounted with recourse | | **(3,549)** | 1,166 |
| Increase in deposits and prepayments | | **(3,330)** | (1,655) |
| Increase/(decrease) in trade and other payables | | **22,199** | (5,410) |
| Decrease in provision for product warranties | | **(6,180)** | (4,947) |
| Increase in contract assets | | **(1,100)** | (2,906) |
| Increase in contract liabilities | | **380** | 220 |
| **Cash used in operations** | | **(21,122)** | (10,187) |
| Taxation refund/(paid) | | | |
| — PRC Enterprise Income Tax | 10 | **948** | (230) |
| **Net cash used in operating activities** | | **(20,174)** | (10,417) |
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment | | **(60)** | (382) |
| Bank interest received | | **951** | 1,026 |
| Withdrawal of restricted bank deposits | | **–** | 2,332 |
| Net cash outflow of acquisition of subsidiaries | 32 | **–** | (10,804) |
| Purchase of other financial assets | | **(123,082)** | (128,815) |
| Proceeds from sale of other financial assets | | **123,210** | 129,050 |
| Increase in time deposit with banks | | **(13,025)** | – |
| Net cash inflow from disposal of subsidiaries | 33 | **6,694** | – |
| **Net cash used in investing activities** | | **(5,312)** | (7,593) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Advances drawn on factored trade receivables | | **6,046** | – |
| Advances drawn on bills receivables | | **3,549** | (1,163) |
| Capital element of lease rentals paid | | **(826)** | (785) |
| Interest element of lease rentals paid | | **(123)** | (155) |
| Interest paid | | **(709)** | – |
| Proceeds from borrowings from related parties | | **1,493** | 3,780 |
| Proceeds from issuance of shares | | **–** | 40,890 |
| **Net cash generated from financing activities** | | **9,430** | 42,567 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(16,056)** | 24,557 |
| **Cash and cash equivalents at the beginning of the year** | | **94,107** | 71,272 |
| **Effect of foreign exchange rate changes** | | **2,774** | (1,722) |
| **Cash and cash equivalents at the end of the year** | 22 | **80,825** | 94,107 |

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

## 1. GENERAL INFORMATION

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries (together referred as the "Group").

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Translation of foreign currencies

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Subsidiaries and non-controlling interests

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e)(i) Business combinations or asset acquisitions

*Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction– by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

*Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

*Business combinations*

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e)(i) Business combinations or asset acquisitions *(continued)*

*Business combinations (continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Incomes Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e)(i) Business combinations or asset acquisitions *(continued)*

*Business combinations (continued)*

Where the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### (e)(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e)(ii) Goodwill *(continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

### (f) Other investments in debt and equity securities

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

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

*(i) Investments other than equity investments*

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

*(i) Investments other than equity investments (continued)*

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

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

*(ii) Equity investments*

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

### (g) Property, plant and equipment

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

### (h) Intangible assets (other than goodwill)

*(i) Intangible assets acquired separately*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

*(i) Intangible assets acquired separately (continued)*

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

| | |
|---|---|
| Application rights | 10 years |

*(ii) Research and development expenditure*

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

*(iii) Derecognition of intangible assets*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Leased assets

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

*As a lessee*

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Leased assets *(continued)*

*As a lessee (continued)*

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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

### (j) Contract assets and contract liabilities

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

### (k) Inventories

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

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

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

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

### (l) Trade and other receivables

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

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

### (m) Cash and cash equivalents

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Trade and other payables

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

### (o) Revenue recognition

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (o) Revenue recognition *(continued)*

*(ii) Customer relationship management services ("CRMS")*

CRMS comprise inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services, and outbound services which include telesales services and market research services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised over time because the customer receives and uses the benefits simultaneously. For variable-price contracts, which charges based on actual volume of transactions provided is recognised at point in time when the transaction is delivered, the service has rendered.

*(iii) Income from transportation e-payment solutions*

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

*(iv) Sale of electronic components*

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

*(v) Investment income*

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

*(vi) Interest income*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (p) Employee benefits

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

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

*(ii) Pension schemes*

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

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

*(iii) Termination benefits*

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

### (q) Income tax

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Income tax *(continued)*

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

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

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Income tax *(continued)*

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

  – the same taxable entity; or

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

### (r) Provisions and contingent liabilities

*(i) Provisions and contingent liabilities*

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

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

*(ii) Contingent liabilities assumed in business combinations*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (t) Credit losses and impairment of assets

*(i) Credit losses from financial instruments*

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

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

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

Measurement of ECLs

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

*(i) Credit losses from financial instruments (continued)*

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

*(i) Credit losses from financial instruments (continued)*

Significant increases in credit risk *(continued)*

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(o)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

*(i) Credit losses from financial instruments (continued)*

Basis of calculation of interest income *(continued)*

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

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

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

– intangible assets;

– goodwill; and

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

*(iii) Interim financial reporting and impairment*

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

### (u) Segment reporting

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

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

### (v) Government grant

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

## 3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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

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

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### (a) Key sources of estimation uncertainty

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

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

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

In assessing value in use, expected cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets, which requires significant judgement relating to level of revenue and the amount of operating costs and discount rates. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in future periods. At 31 March 2021, the carrying amount of property, plant and equipment and intangible assets were approximately HK$2,400,000 (2020: HK$3,612,000) and HK$nil (2020: HK$657,000) respectively.

*ii) Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2021, the carrying amount of goodwill was approximately HK$Nil (2020: HK$15,817,000).

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

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

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

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

At 31 March 2021, the carrying amount of trade and bills receivables and contract assets of the Group are HK$52,802,000 and HK$4,391,000 respectively (2020: HK$31,060,000 and HK$3,609,000 respectively).

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

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

*v) Write down of inventories*

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 2(k). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value. As at 31 March 2021, the carrying amount of inventories was approximately HK$1,804,000 (2020: HK$2,515,000).

*vi) Provision*

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

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

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

*vii) Acquisition of subsidiaries*

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

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

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

*i) Impairment of assets*

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

*ii) Income taxes*

Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. As at 31 March 2021, the carrying amount of provision for taxation was approximately HK$7,139,000 (2020: HK$6,732,000).

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

### Financial assets

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contract assets | **4,391** | 3,609 |
| Trade and other receivables | **59,652** | 33,628 |
| Bill receivables discounted with recourse | **3,549** | – |
| Deposits | **12,733** | 10,265 |
| Time deposit | **13,025** | – |
| Cash and cash equivalents | **80,825** | 94,107 |
| | **174,175** | 141,609 |

### Financial liabilities

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and other payables | **40,490** | 28,601 |
| Consideration payable | **–** | 3,645 |
| Advances drawn on factored trade receivables with recourse | **5,857** | – |
| Advances drawn on bill receivables discounted with recourse | **3,549** | – |
| Lease liabilities | **1,696** | 2,702 |
| | **51,592** | 34,948 |

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

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

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

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

### (b) Credit risk

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

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

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 30% (2020: 32%) and 78% (2020: 66%) of the total trade receivables before impairment loss was due from the Group's largest customer and the five largest customers respectively.

*(iii)* *Impairment of financial assets*

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

Trade receivables and contract assets

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

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

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

### (b) Credit risk *(continued)*

*(iii) Impairment of financial assets (continued)*

Trade receivables and contract assets *(continued)*

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

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due. Trade receivables of HK$2,280,000 (2020: HK$2,410,000) has been written off against allowance for doubtful debts during the year.

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

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

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

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

### (b) Credit risk *(continued)*

*(iii) Impairment of financial assets (continued)*

Trade receivables and contract assets *(continued)*

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

The following tables presents the balances of gross carrying amounts and loss allowance in respect of the individually assessed trade receivables as at 31 March 2021 and 2020:

Group 1

| 31 March 2021 | Not yet due | Past due<br>Within 90 days | Past due<br>91-180 days | Past due<br>181-365 days | Past due<br>366-730 days | Past due<br>Over 730 days | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | – | 0.03% | 0.33% | 1.69% | 20% | 100% | 0.1% |
| – Trade receivables and contract assets (HK'000) | 14,682 | 3,741 | 3,076 | 533 | 5 | – | 22,037 |
| Loss allowance (HK$'000) | – | (1) | (10) | (9) | (1) | – | (21) |
| Net carrying amount (HK$'000) | 14,682 | 3,740 | 3,066 | 524 | 4 | – | 22,016 |

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

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

### (b) Credit risk *(continued)*

*(iii) Impairment of financial assets (continued)*

Trade receivables and contract assets *(continued)*

Group 2

| 31 March 2021 | Not yet due | Past due: Within 90 days | 91-180 days | 181-365 days | 366-730 days | Over 730 days | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | **5.95%** | **7.15%** | **21.57%** | **49.39%** | **78.16%** | **100%** | **11.9%** |
| – Trade receivables and contract assets (HK$'000) | **18,612** | **15,646** | **394** | **2,144** | **1,520** | **–** | **38,316** |
| Loss allowance (HK$'000) | **(1,108)** | **(1,119)** | **(85)** | **(1,059)** | **(1,188)** | **–** | **(4,559)** |
| Net carrying amount (HK$'000) | **17,504** | **14,527** | **309** | **1,085** | **332** | **–** | **33,757** |

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

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

### (b) Credit risk *(continued)*

*(iii) Impairment of financial assets (continued)*

Trade receivables and contract assets *(continued)*

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 April | **8,577** | 9,139 |
| (Decrease)/increase in loss allowance recognised in profit or loss during the year | **(2,575)** | 2,440 |
| Written off of trade receivables | **(2,280)** | (2,410) |
| Exchange differences | **858** | (592) |
| At 31 March | **4,580** | 8,577 |

Net impairment losses on trade receivables and contract assets amounted HK$2,575,000 (2020: HK$2,440,000) (Note 18 and 19) is included in the consolidated statement profit or loss and other comprehensive income. At 31 March 2021, trade receivables of HK$2,280,000 (2020: HK$2,410,000) has been written off against allowance for doubtful debts during the year.

Bill and other receivables

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

Cash and cash equivalents

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

Bills receivables discounted with recourse

At 31 March 2021, the Group had discounted certain bills receivables to banks totaling HK$3,549,000. The transferees have recourse right to the Group in case of default. In such cases, the Group would have to repurchase these bills receivables at face value. These bills receivables mature at a period of 148 days from respective dates of issue and the Group's maximum loss in case of default are HK$3,549,000, as at 31 March 2021.

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

### (c) Liquidity risk

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

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

*For the year ended 31 March 2021*

| | **Within 1 year or on demand** *HK$'000* | **More than 1 year** *HK$'000* | **Total contractual undiscounted cash flow** *HK$'000* | **Carrying amount at 31 March 2021** *HK$'000* |
|---|---|---|---|---|
| Trade and other payables | **40,505** | **–** | **40,505** | **40,490** |
| Advanced drawn on factored trade receivables with recourse | **5,857** | **–** | **5,857** | **5,857** |
| Advanced drawn on bill receivables discounted with recourse | **3,549** | **–** | **3,549** | **3,549** |
| Lease liabilities | **1,357** | **430** | **1,787** | **1,696** |
| | **51,268** | **430** | **51,698** | **51,592** |

*For the year ended 31 March 2020*

| | Within 1 year or on demand *HK$'000* | More than 1 year *HK$'000* | Total contractual undiscounted cash flow *HK$'000* | Carrying amount at 31 March 2020 *HK$'000* |
|---|---|---|---|---|
| Trade and other payables | 28,623 | – | 28,623 | 28,601 |
| Consideration payable | 3,683 | – | 3,683 | 3,645 |
| Lease liabilities | 1,251 | 1,653 | 2,904 | 2,702 |
| | 33,557 | 1,653 | 35,210 | 34,948 |

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

### (d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's borrowings from related parties carrying at fixed rates for the year ended 31 March 2021 and 2020. The management of the Group consider that the Group's exposure to interest rate risk is not significant.

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

*(i) Interest rate profile*

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Effective interest rates %** | ***HK$'000*** | Effective interest rates % | *HK$'000* |
| Variable rate restricted bank deposits, bank balances and deposits | **0.01-0.2** | **93,832** | 0.001-2.30 | 94,038 |

*(ii) Sensitivity analysis*

At 31 March 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate restricted bank deposits, bank balances and deposits, with all other variables held constant, would increase/decrease the Group's profit/(loss) after tax and accumulated losses by approximately HK$793,000 (2020: HK$909,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

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

### (d) Interest rate risk *(continued)*

*(ii) Sensitivity analysis (continued)*

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2020: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2020.

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

### (e) Currency risk

*(i) Exposure to currency risk*

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

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

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash and cash equivalents | | |
| US$ | **74** | 74 |
| Net exposure arising from recognised assets and liabilities | **74** | 74 |

*(ii) Sensitivity analysis*

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

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

### (f) Fair value measurement

*Financial assets and liabilities measured at fair value*

Fair value hierarchy

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

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

During the years ended 31 March 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

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

At 31 March 2021, no sensitivity analysis is performed on contingent consideration arrangement as there is no impact to the Group's loss.

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

### (f) Fair value measurement *(continued)*

*Financial assets and liabilities measured at fair value (continued)*

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

The movements during the years ended 31 March 2021 and 2020 in the balance of these Level 3 fair value measurements are as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other financial assets | | |
| Balance at the beginning of the year | **–** | – |
| Purchases | **123,082** | 128,815 |
| Disposals | **(123,210)** | (129,050) |
| Gain on disposal recognised on profit or loss | **128** | 235 |
| Balance at the end of the year | **–** | – |
| Total gain for the year included in profit or loss for other financial assets held at the end of the reporting period | **128** | 235 |

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contingent consideration payable | | |
| At 1 April | **–** | – |
| Addition through acquisition of subsidiaries | **–** | 10,881 |
| Fair value change recognised profit or loss | **–** | (7,236) |
| Derecognition | **–** | (3,645) |
| At 31 March | **–** | – |
| Total gain for the year included in profit or loss for liabilities held at the end of the reporting period | **–** | 7,236 |

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2021 and 2020.

## 6. REVENUE

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Revenue from the supply, development and integration of passenger information management system | **90,116** | 57,130 |
| Income from transportation e-payment solutions | **–** | 10,714 |
| Sale of electronic components | **4** | 2,584 |
| CRMS income | **8,004** | – |
| Total revenue | **98,124** | 70,428 |

## 7. OTHER REVENUE AND OTHER NET GAIN

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Bank interest income * | **951** | 1,026 |
| Gain on disposal of subsidiaries *(note 33)* | **57** | – |
| Gain on disposal of other financial assets | **128** | 235 |
| Government grants | **270** | 105 |
| Other income | **1,813** | 683 |
| Other revenue | **3,219** | 2,049 |
| Reversal of provision for product warranties, net | **6,966** | 1,672 |
| Exchange gain | **137** | 1,124 |
| Other net gain | **7,103** | 2,796 |
| | **10,322** | 4,845 |

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

Other revenue for the year ended 31 March 2021 included a new subsidy of approximately HK$270,000 received from the Government under the Employment Support Scheme which was launched in May 2020 to help companies in Hong Kong to retain their employees during the economy slowdown caused by the COVID-19 pandemic.

## 8. SEGMENT INFORMATION

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

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

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

No reportable operating segment has been aggregated.

### (a) Segment results, assets and liabilities

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2021 and 2020 is set out below:

## 8. SEGMENT INFORMATION *(continued)*

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

| | The PRC | | Hong Kong | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Disaggregated by timing of revenue recognition** | | | | | | |
| – Overtime | **1,037** | – | **3,535** | – | **4,572** | – |
| – Point in time | **93,552** | 70,385 | **–** | 170 | **93,552** | 70,555 |
| | **94,589** | 70,385 | **3,535** | 170 | **98,124** | 70,555 |
| **Reportable segment profit/(loss)** | **22,812** | (1,773) | **136** | 263 | **22,948** | (1,510) |
| Research and development costs | **(17,874)** | (15,258) | **–** | – | **(17,874)** | (15,258) |
| Bank interest income | **14** | 22 | **937** | 1,004 | **951** | 1,026 |
| Gain on disposal of other financial assets | **128** | 235 | **–** | – | **128** | 235 |
| Depreciation | **(1,512)** | (1,530) | **(2)** | (2) | **(1,514)** | (1,532) |
| Amortisation of intangible assets | **(657)** | (2,880) | **–** | – | **(657)** | (2,880) |
| Reversal of/(impairment loss) of trade receivables and contract assets | **2,575** | (2,440) | **–** | – | **2,575** | (2,440) |
| Reversal of provision for product warranties, net | **6,966** | 1,672 | **–** | – | **6,966** | 1,672 |
| Provision for impairment of deposits | **–** | (417) | **–** | – | **–** | (417) |
| Gain on disposal of subsidiaries | **–** | – | **57** | – | **57** | – |
| Impairment losses on intangible assets | **–** | (8,704) | **–** | – | **–** | (8,704) |
| Fair value gain on contingent consideration payable | **–** | 7,236 | **–** | – | **–** | 7,236 |
| Impairment loss on goodwill | **–** | (5,716) | **–** | – | **–** | (5,716) |
| Loss on written off of property, plant and equipment | **–** | 19 | **–** | – | **–** | 19 |
| **Reportable segment assets** | **92,871** | 89,017 | **89,311** | 78,697 | **182,182** | 167,714 |
| Reportable segment assets includes: | | | | | | |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | | | | | | |
| – Property, plant and equipment | **60** | 3,589 | **–** | – | **60** | 3,589 |
| – Goodwill | **–** | 22,238 | **–** | – | **–** | 22,238 |
| **Reportable segment liabilities** | **58,541** | 41,997 | **1,773** | 6,849 | **60,314** | 48,846 |

## 8. SEGMENT INFORMATION *(continued)*

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Revenue:** | | |
| Total reportable segments' revenue | 98,124 | 70,555 |
| Elimination of inter-segment revenue | – | (127) |
| Consolidated revenue | 98,124 | 70,428 |
| **Profit/(loss):** | | |
| Total reportable segments' profit/(loss) | 22,948 | (1,510) |
| Elimination of inter-segment profit | – | 127 |
| Reportable segment profit/(loss) derived from Group's external customers | 22,948 | (1,383) |
| Bank interest income | 951 | 1,026 |
| Gain on disposal of subsidiaries | 57 | – |
| Unallocated head office and corporate expenses | (22,782) | (21,297) |
| Consolidated profit/(loss) before tax expenses | 1,174 | (21,654) |
| **Assets** | | |
| Total reportable segments' assets | 182,182 | 167,714 |
| Elimination of inter-segment receivables | (3,605) | (3,225) |
| Consolidated total assets | 178,577 | 164,489 |
| **Liabilities** | | |
| Total reportable segments' liabilities | 60,314 | 48,846 |
| Elimination of inter-segment payables | (3,605) | (3,225) |
| | 56,709 | 45,621 |
| Current tax liabilities | 7,139 | 6,732 |
| Consolidated total liabilities | 63,848 | 52,353 |

## 8. SEGMENT INFORMATION *(continued)*

### (c) Revenue from major products and services

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Supply, development and integration of passenger information management system | **90,116** | 57,130 |
| Income from transportation e-payment solutions | **–** | 10,714 |
| Sale of electronic components | **4** | 2,584 |
| CRMS income | **8,004** | – |
| | **98,124** | 70,428 |

### (d) Other geographical information

| | **Non-current assets** | |
|---|---|---|
| | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* |
| The PRC | **2,398** | 20,082 |
| Hong Kong | **2** | 4 |
| | **2,400** | 20,086 |

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

### (e) Information about major customers

Revenue from two (2020: three) customers in the PRC operating and reportable segment amounted to approximately HK$40,564,000 and HK$17,732,000 (2020: HK$21,815,000, HK$9,995,000 and HK$9,248,000), which individually represent more than 10% of the Group's total revenue.

Two (2020: three) customers contributed 10% or more to the Group's total revenue for 2021.

## 9. PROFIT/(LOSS) BEFORE TAXATION

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Profit/(Loss) for the year has been arrived at after charging/(crediting): | | |
| **(a) Staff costs, including directors' emoluments *(note 12)*** | | |
| Salaries and wages | **21,249** | 20,833 |
| Contributions to retirement benefit schemes | **1,887** | 2,049 |
| Provision for staff welfare benefits | **42** | 60 |
| | **23,178** | 22,942 |
| **(b) Other items** | | |
| Auditors' remuneration | | |
| – audit service | **663** | 658 |
| – non-audit service | **80** | 99 |
| | **743** | 757 |
| (Reversal of)/impairment loss of trade receivables and contract assets | **(2,575)** | 2,440 |
| Provision for impairment of deposits | **–** | 417 |
| Cost of inventories sold * | **83,993** | 60,604 |
| Research and development costs # | **17,874** | 15,258 |
| Depreciation of property, plant and equipment | | |
| – self-owned assets | **320** | 637 |
| – right-of-use assets | **1,194** | 895 |
| Amortisation of intangible assets (included in other operating expenses) | **657** | 2,880 |
| Gain on disposal of subsidiaries *(note 33)* | **(57)** | – |
| Impairment loss on intangible assets | **–** | 8,704 |
| Reversal of provision for product warranties, net ## *(note 27)* | **(6,966)** | (1,672) |
| Net exchange gain | **(137)** | (1,124) |
| Impairment loss of goodwill | **–** | 5,716 |
| Loss on written off of property, plant and equipment | **–** | 19 |

* Cost of inventories sold includes approximately HK$13,733,000 (2020: HK$12,269,000) relating to staff costs and depreciation expenses which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

\# Research and development costs incurred for the year amounting to approximately HK$17,874,000 (2020: HK$15,258,000) which was included in cost of sales.

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

**(c) Finance Cost**

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Interest expense | **709** | – |
| Bank charges | **–** | 3 |
| Interest on lease liabilities | **123** | 155 |
| | **832** | 158 |

## 10. INCOME TAX

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current year provision: | | |
| Hong Kong Profits Tax | **–** | 4 |
| PRC Enterprise Income Tax | **–** | 361 |
| | **–** | 365 |

(i) The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong was 16.5% for the years ended 31 March 2021 and 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime. For this subsidiary the first HK$2 million of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for the years ended 31 March 2021 and 2020 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of HK$10,000 (2019/20: HK$20,000) for each business.

(ii) A PRC subsidiary of the Company, Guangzhou Global Link Communications Inc. ("Guangzhou GL"), was qualified as "High and new technology enterprise" and subject to concessionary rate of PRC enterprise income tax (the "PRC EIT") at 15%, which was granted for further three years starting from December 2020. The remaining PRC subsidiaries were qualified as "Small Low-profit Enterprise" and subject to a concessionary PRC EIT rate.

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

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit/(loss) before taxation | **1,174** | (21,654) |
| Notional tax on loss before taxation, calculated at the rates applicable to loss in the countries concerned | **165** | (4,502) |
| Tax effect of non-taxable income | **(180)** | (1,376) |
| Tax effect of non-deductible expenses | **921** | 4,513 |
| Tax effect of unused tax losses not recognised | **630** | 1,940 |
| Tax effect of utilisation of tax loss previously not recognised | **(1,636)** | – |
| Effect of concession tax rates of subsidiaries | **–** | (499) |
| Tax effect of temporary differences not recognised | **100** | 289 |
| Tax expense | **–** | 365 |

## 11. PROFIT/(LOSS) PER SHARE

### (a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the consolidated profit/(loss) attributable to equity shareholders of the Company of profit of HK$2,265,000 (2020: loss of HK$23,192,000) and the weighted average number of approximately 326,380,750 ordinary shares (2020: 253,826,105 ordinary shares) in issue during the year.

### (b) Diluted profit/(loss) per share

The basic and diluted profit/(loss) per share are the same for the years ended 31 March 2021 and 2020, as there are no dilutive potential ordinary shares in issue during the year.

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

| | Year ended 31 March 2021 | | | |
|---|---|---|---|---|
| | Fees | Salaries, allowances and benefits-in-kind | Retirement benefits scheme contributions | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| *Executive directors:* | | | | |
| Mr. Li Kin Shing *(Chairman)* | 80 | 195 | 10 | 285 |
| Mr. Wong Kin Wa* *(Chief Executive Officer)* | 80 | 195 | 10 | 285 |
| Mr. Ma Yuanguang* | 80 | 989 | – | 1,069 |
| | 240 | 1,379 | 20 | 1,639 |
| *Independent non-executive directors:* | | | | |
| Mr. Leung Kwok Keung | 80 | – | – | 80 |
| Mr. Cheung Sai Ming | 80 | – | – | 80 |
| Mr. Liu Chun Bao | 80 | – | – | 80 |
| | 240 | – | – | 240 |
| | 480 | 1,379 | 20 | 1,879 |

* Mr. Ma Yuanguang ceased to be Chief Executive Officer ("CEO") while Mr. Wing Kim Wa was appointed as CEO with effective from 27 November 2020.

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

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

Of the five individuals with the highest emoluments, one (2020: one) is director of the Company whose emoluments are disclosed in note 12. The aggregate of the emoluments of the remaining four (2020: four) individuals are as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other emoluments | **1,311** | 1,317 |
| Contributions to retirement benefit scheme | **33** | 33 |
| | **1,344** | 1,350 |

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

| | **2021** | 2020 |
|---|---|---|
| Nil to HK$1,000,000 | **4** | 4 |

During the year ended 31 March 2021, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2020: Nil).

None of the directors has waived any emoluments during the year ended 31 March 2021 (2020: Nil).

## 13. PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

| | Furniture and fixtures | Office equipment | Leasehold improvements | Tools and equipment | Motor vehicles | Properties leased for own use | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | | | | | |
| At 1 April 2019 | 236 | 922 | 2,439 | 943 | 1,577 | 3,784 | 9,901 |
| Additions | – | 124 | – | – | 258 | 3,207 | 3,589 |
| Additions through acquisition of subsidiaries *(note 32)* | – | 3 | – | – | – | – | 3 |
| Written-off | – | – | – | – | (186) | – | (186) |
| Exchange alignment | (13) | (60) | (149) | (58) | (65) | (310) | (655) |
| At 31 March 2020 and 1 April 2021 | 223 | 989 | 2,290 | 885 | 1,584 | 6,681 | 12,652 |
| Additions | – | 60 | – | – | – | – | 60 |
| Eliminated on disposal of subsidiaries | – | (8) | – | – | – | – | (8) |
| Written-off | – | – | – | – | – | – | – |
| Exchange alignment | 18 | 80 | 186 | 72 | 85 | 542 | 983 |
| At 31 March 2021 | 241 | 1,121 | 2,476 | 957 | 1,669 | 7,223 | 13,687 |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 April 2019 | 145 | 671 | 1,976 | 718 | 1,208 | 3,457 | 8,175 |
| Charge for the year | 23 | 67 | 415 | 55 | 77 | 895 | 1,532 |
| Written-off | – | – | – | – | (167) | – | (167) |
| Exchange alignment | (9) | (42) | (131) | (45) | (39) | (234) | (500) |
| At 31 March 2020 and 1 April 2021 | 159 | 696 | 2,260 | 728 | 1,079 | 4,118 | 9,040 |
| Charge for the year | 21 | 84 | 32 | 59 | 124 | 1,194 | 1,514 |
| Eliminated on disposal of subsidiaries | – | (2) | – | – | – | – | (2) |
| Written-off | – | – | – | – | – | – | – |
| Exchange alignment | 10 | 59 | 184 | 61 | 48 | 373 | 735 |
| At 31 March 2021 | 190 | 837 | 2,476 | 848 | 1,251 | 5,685 | 11,287 |
| **Carrying amount** | | | | | | | |
| At 31 March 2021 | 51 | 284 | – | 109 | 418 | 1,538 | 2,400 |
| At 31 March 2020 | 64 | 293 | 30 | 157 | 505 | 2,563 | 3,612 |

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

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

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

| | Notes | 31 March 2021 HK$'000 | 1 April 2020 HK$'000 |
|---|---|---|---|
| Properties held for own use carried at depreciated cost | (i) | **1,538** | 2,563 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Plant, machinery and equipment | **1,194** | 895 |
| Interest on lease liabilities | **123** | 155 |
| Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 March | **463** | 855 |

(d) During the year ended 31 March 2021, additions to right-of-use assets were HK$Nil (2020: HK$3,207,000). This amount related to the capitalised lease payments payable under new tenancy agreements.

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

### (e) Properties leased for own use

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

## 14. GOODWILL

| | *HK$'000* |
|---|---|
| **Cost** | |
| At 1 April 2019 | – |
| Arising on acquisition of subsidiaries *(note 32)* | 22,238 |
| Exchange adjustment | (846) |
| At 31 March 2020 and 1 April 2020 | 21,392 |
| Disposal | (22,378) |
| Exchange Adjustment | 986 |
| At 31 March 2021 | – |
| **Impairment** | |
| At 1 April 2019 | – |
| Impairment loss made during the year | 5,716 |
| Exchange adjustment | (141) |
| At 31 March 2020 and 1 April 2020 | 5,575 |
| Disposal | (5,980) |
| Exchange Adjustment | 405 |
| At 31 March 2021 | – |
| **Carrying amount** | |
| At 31 March 2021 | – |
| At 31 March 2020 | 15,817 |

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

### For the year ended 31 March 2021

The Group disposed its business in transportation e-payment solution during the year ended 31 March 2021. The details are set out in note 33.

### For the year ended 31 March 2020

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

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

| | |
|---|---|
| Terminal growth rate | 3% |
| Discount rate | 23% |

The cash flow projections has taken into account the deteriorating financial performance of the transportation e-payment solutions business due to the unfavourable changes in recent months. Therefore, impairment loss on goodwill of HK$5,716,000 was made by the Group for the year ended 31 March 2020.

## 15. INTANGIBLE ASSETS

| | Application rights |
|---|---|
| | *HK$'000* |
| **Cost** | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 | 32,500 |
| **Accumulated amortisation and impairment** | |
| At 1 April 2019 | 20,259 |
| Amortisation for the year | 2,880 |
| Impairment for the year | 8,704 |
| At 31 March 2020 and 1 April 2020 | 31,843 |
| Amortisation for the year | 657 |
| At 31 March 2021 | 32,500 |
| **Carrying amounts** | |
| At 31 March 2021 | – |
| At 31 March 2020 | 657 |

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

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

During the year ended 31 March 2021, amortisation charge of HK$657,000 (2020: HK$2,880,000) has been charged to "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

### For the year ended 31 March 2020

The recoverable amount of intangible asset of HK$657,000 was based on its value in use and was determined with the assistance of LCH (Asia-Pacific) Surveyors Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projection based on financial budgets approved by management covering a five-year period, and at a discount rate of 41%.

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

## 16. SUBSIDIARIES

(a) The following is a list of principal subsidiaries at 31 March 2021:

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

## 16. SUBSIDIARIES *(continued)*

(a) *(continued)*

Notes:

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

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

(b) The following table lists out the information relating to Connect Cool Technology Limited and its subsidiary ("Connect Cool Group") which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company eliminations. Connect Cool Group was disposed during the year ended 31 March 2021.

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

## 17. INVENTORIES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Spare parts and accessories | **1,804** | 1,597 |
| Merchandise | **–** | 918 |
| | **1,804** | 2,515 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount of inventories sold | **64,379** | 43,733 |

## 18. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Contract assets** | | |
| Arising from performance under passenger information management system | **4,611** | 3,641 |
| Less: loss allowance *(Note 5(b)(iii))* | **(220)** | (32) |
| | **4,391** | 3,609 |

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

The amounts of contract assets that is expected to be recovered after more than one year is HK$Nil (2020: HK$1,865,000), all of which relates to retentions.

### (b) Contract liabilities

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Contract liabilities** | | |
| Passenger information management system – Billings in advance of performance | **969** | 650 |

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

### (b) Contract liabilities *(continued)*

*Movement in contract liabilities*

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At 1 April | 650 | 464 |
| Decrease in contract liabilities as a result of recognising revenue during the year that included in the contract liabilities at the beginning of the period | (194) | – |
| Increase in contract liabilities as result of billing in advance | 374 | 220 |
| Exchange alignment | 139 | (34) |
| At 31 March | 969 | 650 |

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

## 19. TRADE AND OTHER RECEIVABLES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Trade receivables | 55,742 | 39,605 |
| Bills receivables | 1,420 | – |
| Trade and bills receivables | 57,162 | 39,605 |
| Less: Allowance for doubtful debts | (4,360) | (8,545) |
| | 52,802 | 31,060 |
| Other receivables | 6,850 | 2,568 |
| | 59,652 | 33,628 |

## 19. TRADE AND OTHER RECEIVABLES *(continued)*

All of the trade and other receivables are expected to be recovered within one year.

### Age analysis

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **47,482** | 9,100 |
| Between 91 and 180 days | **3,375** | 11,631 |
| Between 181 and 365 days | **1,608** | 4,123 |
| Between 1 and 2 years | **337** | 2,596 |
| Over 2 years | **–** | 3,610 |
| | **52,802** | 31,060 |
| Retention receivables | **–** | – |
| | **52,802** | 31,060 |

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

At 31 March 2021, carrying amount of trade receivables amounted to HK$8,246,000 (2020: HK$Nil) has been pledged as security for the Group's other borrowing (note 24).

### Transferred receivables

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. The Group therefore continues to recognise the transferred assets in their entirety in its consolidated statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing. The Group considers the held to collect contractual cashflows to remain appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount of transferred assets | **8,246** | – |
| Carrying amount of associated liabilities | **(5,857)** | – |
| Net position | **2,389** | – |

## 20. TRANSFERS OF FINANCIAL ASSETS

### (a) Bills receivables discounted with recourses

The following are the Group's financial assets as at 31 March 2021 and 2020 that are transferred to bank by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivables discounted to bank with full recourse:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount of transferred assets | **3,549** | – |
| Carrying amount of associated liabilities | **(3,549)** | – |
| Net position | **–** | – |

### (b) Endorsed bills receivable transferred to suppliers

As at 31 March 2021, the Group endorsed certain bills receivable accepted by bank (the "Banks") in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a total carrying amount in aggregate of HK$43,577,000 (2020: HK$Nil). The Derecognised Bills will mature in one to nine months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the Banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss arising from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts.

## 21. DEPOSITS AND PREPAYMENTS

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deposits | **12,733** | 10,265 |
| Prepayments | **198** | 279 |
| | **12,931** | 10,544 |

During the year, impairment loss of HK$Nil (2020: HK$417,000) has been made to deposits paid to suppliers for goods and services, as management considered the amounts are not recoverable.

## 22. CASH AND CASH EQUIVALENTS

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash at bank and on hand | **80,825** | 94,107 |
| Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows | **80,825** | 94,107 |
| Time deposit with original maturity – Over three months | **13,025** | – |

(a) The interest rates on the cash at bank ranged from 0.1% to 0.2% (2020: 0.01% to 1.14%) per annum.

(b) Included in the cash and cash equivalents of the Group was approximately HK$5,899,000 (2020: HK$17,214,000) that were bank deposits placed with banks in the PRC and denominated in RMB. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

## 22. CASH AND CASH EQUIVALENTS *(continued)*

### For the year ended 31 March 2021

| | Lease liabilities | Advances drawn on factored trade receivables with recourse | Advances drawn on bills receivables discounted with recourse | Borrowings from related parties | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* *(Note 31(c))* | *HK$'000* |
| At 1 April 2020 | 2,702 | – | – | 3,687 | 6,389 |
| Changes from financing cash flows: | | | | | |
| Capital element of lease rental paid | (826) | – | – | – | (826) |
| Interest element of lease rental paid | (123) | – | – | – | (123) |
| Interest paid | – | (644) | – | (65) | (709) |
| Advances drawn on factored trade receivables | – | 6,046 | – | – | 6,046 |
| Advances drawn on bills receivables discounted with recourse | – | – | 3,549 | – | 3,549 |
| Proceeds from borrowings from related parties | – | – | – | 1,493 | 1,493 |
| Total changes from financing cash flows | 1,753 | 5,402 | 3,549 | 5,115 | 15,819 |
| Exchange adjustments | (180) | (189) | – | (354) | (723) |
| Other changes: | | | | | |
| Interest expense | 123 | 644 | – | 65 | 832 |
| At 31 March 2021 | 1,696 | 5,857 | 3,549 | 4,826 | 15,928 |

## 22. CASH AND CASH EQUIVALENTS *(continued)*

### For the year ended 31 March 2020

| | Lease liabilities | Advances drawn on bills receivables discounted with recourse | Borrowings from related parties | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* *(Note 31(c))* | *HK$'000* |
| At 1 April 2019 | 360 | 1,163 | – | 1,523 |
| Changes from financing cash flows: | | | | |
| Capital element of lease rental paid | (785) | – | – | (785) |
| Interest element of lease rental paid | (155) | – | – | (155) |
| Proceeds from borrowings from related parties | – | – | 3,780 | 3,780 |
| Total changes from financing cash flows | (580) | 1,163 | 3,780 | 4,363 |
| Exchange adjustments | (80) | – | (93) | (173) |
| Other changes: | | | | |
| Interest expense | 155 | – | – | 155 |
| Net off of bills receivables discounted with recourse | – | (1,163) | – | (1,163) |
| Increase in lease liabilities from entering into new leases during the year | 3,207 | – | – | 3,207 |
| At 31 March 2020 | 2,702 | – | 3,687 | 6,389 |

## 22. CASH AND CASH EQUIVALENTS *(continued)*

### Total cash outflows for leases

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within operating cash flows | **463** | 855 |
| Within investing cash flows | **–** | – |
| Within financing cash flows | **949** | 940 |
| | **1,412** | 1,795 |

These amounts relate to the following:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Lease rentals paid | **1,412** | 1,795 |

## 23. TRADE AND OTHER PAYABLES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables *(note (b)(i))* | **32,357** | 21,836 |
| Other payables | **2,051** | 2,012 |
| Borrowings from related parties *(note 31(c))* | **4,826** | 3,687 |
| Accrued wages | **1,256** | 1,066 |
| Payables for value-added tax | **3,000** | 2,302 |
| | **43,490** | 30,903 |

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

## 23. TRADE AND OTHER PAYABLES *(continued)*

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(i) Trade payables** | | |
| Within 90 days | **10,113** | 4,785 |
| Between 91 and 180 days | **7,541** | 5,590 |
| Between 181 and 365 days | **11,315** | 5,619 |
| Between 1 and 2 years | **1,752** | 5,104 |
| Over 2 years | **1,636** | 738 |
| | **32,357** | 21,836 |

## 24. ADVANCES DRAWN ON FACTORED TRADE RECEIVABLES WITH RECOURSE

The amount represents the Group's other borrowings secured by the factored trade receivables to banks with recourse.

The advances drawn on factored trade receivables with recourse carried at fixed rates ranging from 4.35% to 11% per annum.

## 25. CONTINGENT CONSIDERATION PAYABLE/CONSIDERATION PAYABLE

### (a) Contingent consideration payable

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

| | 2020 |
|---|---|
| | *HK$'000* |
| **At fair value** | |
| At 1 April | – |
| Arising from acquisition of Connect Cool Group *(note 32)* | 10,881 |
| Fair value change | (7,236) |
| Derecognition (transfer to consideration payable) | (3,645) |
| At 31 March | – |

## 25. CONTINGENT CONSIDERATION PAYABLE/CONSIDERATION PAYABLE *(continued)*

### (a) Contingent consideration payable *(continued)*

*Adjustment to the consideration*

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

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

Where:

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

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

### (b) Consideration payable

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Consideration payable for acquisition of Connect Cool Group | **–** | 3,645 |

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

## 26. LEASE LIABILITIES

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Present value of the minimum lease payments** | **Total minimum lease payments** | Present value of the minimum lease payments | Total minimum lease payments |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Within 1 year | **1,284** | **1,357** | 1,133 | 1,251 |
| After 1 year but within 2 years | **412** | **430** | 1,569 | 1,653 |
| | **1,696** | **1,787** | 2,702 | 2,904 |
| Less: total future interest expense | | **(91)** | | (202) |
| Present value of lease liabilities | | **1,696** | | 2,702 |

## 27. PROVISION

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | **7,721** | 13,609 |
| Additional provision | **674** | 3,939 |
| Reversal of provision | **(7,640)** | (5,611) |
| Amounts utilised during the year | **–** | (3,512) |
| Exchange realignment | **393** | (704) |
| At end of the year | **1,148** | 7,721 |
| Portion classified as current liabilities | **(1,148)** | (7,721) |
| Non-current portion | **–** | – |

## 28. DEFERRED TAXATION

### (a) Deferred tax assets not recognised

At 31 March 2021, the Group had unused tax losses of approximately HK$90,598,000 (2020: HK$106,479,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$Nil, HK$12,952,000, HK$18,342,000, HK$18,537,000 and HK$10,409,000 (2020: HK$20,656,000, HK$11,981,000, HK$16,967,000, HK$17,147,000 and HK$9,711,000 that will expire in 2021, 2022, 2023, 2024 and 2025 respectively) that will expire in 2022, 2023, 2024, 2025 and 2026 respectively according to the prevailing tax laws and regulations in the country in which the entity operates. Other losses may be carried forward indefinitely subject to the final assessment of the relevant tax authority.

At 31 March 2021, the Group had deductible temporary differences of approximately HK$30,294,000 (2020: HK$30,017,000) respectively being not recognised. No deferred tax asset has been recognised due to the unpredictability of future profit streams for the relevant subsidiaries.

## 28. DEFERRED TAXATION *(continued)*

### (b) Deferred tax liabilities not recognised

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

At 31 March 2020, temporary differences relating to the undistributed profits of a PRC subsidiary for the period from 1 January 2008 to 31 March 2021 amounted to HK$Nil (2020: HK$3,877,000). Deferred tax liabilities of HK$Nil (2020: HK$388,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of that subsidiary and it has been determined that it is probable that these profits will be reinvested or not be distributed in the foreseeable future.

## 29. CAPITAL AND RESERVES

### (a) Share capital

| | Nominal value | Number of shares | Amount |
|---|---|---|---|
| | | | *HK$'000* |
| **Authorised ordinary shares** | | | |
| At 1 April 2019 | 0.01 | 5,000,000,000 | 50,000 |
| Share consolidation *(note i)* | | (4,500,000,000) | – |
| At 31 March 2020, 1 April 2020 and 31 March 2021 | 0.10 | 500,000,000 | 50,000 |
| **Ordinary shares, issued and fully paid** | | | |
| At 1 April 2019 | 0.01 | 2,088,807,500 | 20,888 |
| Issuance of new shares *(note ii)* | 0.01 | 1,175,000,000 | 11,750 |
| | 0.01 | 3,263,807,500 | 32,638 |
| Share consolidation *(note i)* | | (2,937,426,750) | – |
| At 31 March 2020, 1 April 2020 and 31 March 2021 | 0.10 | 326,380,750 | 32,638 |

## 29. CAPITAL AND RESERVES *(continued)*

### (a) Share capital *(continued)*

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

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

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

### (b)

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

| | Share premium | Accumulated losses | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2019 | 158,967 | (103,949) | 55,018 |
| Issuance of new shares | 29,140 | – | 29,140 |
| Loss for the year | – | (24,498) | (24,498) |
| At 31 March 2020 and 1 April 2020 | 188,107 | (128,447) | 59,660 |
| Loss for the year | – | (5,298) | (5,298) |
| At 31 March 2021 | 188,107 | (133,745) | 54,362 |

### (c) Dividends

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

## 29. CAPITAL AND RESERVES *(continued)*

### (d) Nature and purpose of reserves

*(i) Share premium*

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

*(ii) Exchange reserve*

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

*(iii) Merger reserve*

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

*(iv) Statutory reserves*

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

### (e) Capital management

The capital structure of the Group consists of cash and cash equivalents and time deposit of approximately HK$93,850,000 (2020: HK$94,107,000) (note 22).

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group's overall strategy remains unchanged from 2020.

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

## 30. EMPLOYEE RETIREMENT BENEFITS

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

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

## 31. RELATED PARTY TRANSACTIONS

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

### (a) Key management personnel remuneration

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other short-term employee benefits | **2,154** | 2,154 |
| Retirement scheme contributions | **32** | 35 |
| | **2,186** | 2,189 |

## 31. RELATED PARTY TRANSACTIONS *(continued)*

### (b) Transactions with related parties

| Name of parties | Nature of transactions | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Talent Information Engineering Co., Limited ("Talent") *(i)* | Rental expense paid to Talent | **(420)** | (420) |
| China-Hong Kong Telecom Limited ("China-Hong Kong") *(ii)* | Development and maintenance of website expense to China-Hong Kong | **(176)** | (170) |
| Directel Limited ("Directel") *(ii)* | Development and maintenance of online platform and mobile application expense to Directel | **–** | (70) |
| Winet Engineering Ltd ("Winet") *(iii)* | CRMS income | **113** | – |
| Full Tour Industries Ltd ("Full Tour") *(iii)* | CRMS income | **40** | – |
| International Elite Limited – Macao Commercial Offshore ("International Elite – Macao") *(iii)* | CRMS income | **3,535** | – |

*Notes:*

(i) Mr. Li Kin Shing ("Mr Li"), a director of the Company, is one of the controlling shareholders of Talent.

(ii) One of the ultimate shareholders of China-Hong Kong and Directel is Mr. Li.

(iii) The director of Winet, Full Tour and International Elite – Macao is Mr. Wong Kin Wa, a director of the Company.

## 31. RELATED PARTY TRANSACTIONS *(continued)*

### (c) Balance with related parties

The Group had the following balance with related parties:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Borrowings from related parties** | | |
| MZone Network Technology Ltd.（廣州安眾網絡技術有限公司）*(iii)(iv)* | **(3,431)** | (3,174) |
| China Elite Info Services Ltd.（廣州盛華信息服務有限公司）*(ii)(iv)* | **(1,395)** | (513) |
| | **(4,826)** | (3,687) |
| **Amounts due to related parties** | | |
| China Elite Info Services Ltd.（廣州盛華信息服務有限公司）*(i)(iv)* | **–** | (17) |
| Xiamen Elite Electric Co.Ltd *(i)(v)* | **(58)** | (54) |
| Winet Engineering Ltd *(i)((b)(iii))* | **(113)** | – |
| Full Tour Industries Ltd *(i)((b)(iii))* | **(40)** | – |

*Notes:*

(i) The amounts are unsecured, interest-free and repayable in demand and are included in "Trade and other receivables" (see note 19) and "Trade and other payables" (see note 23) respectively.

(ii) The borrowings from China Elite Info Services Ltd. are unsecured, bears interest at 5% per annum and repayable within one year and are included in "Trade and other payables" (see note 23).

(iii) The borrowings from MZone Network Technology Ltd. are unsecured, interest-fee and repayable within one year and are included in "Trade and other payables" (see note 23).

(iv) The director of MZone Network Technology Ltd. and China Elite Info Services Ltd. is Mr. Li Kin Shing, an executive Director, is one of the ultimate Shareholders of the related Company and Mr. Wong Kin Wa, an executive Director is one of the directors of these related companies.

(v) One of the ultimate shareholders of Xiamen Elite Electric Co.Ltd is Mr. Li King Shing, a director of the Company.

## 32. ACQUISITION OF SUBSIDIARIES

### For the year ended 31 March 2020

On 4 April 2019, the Company, the vendor and Connect Cool Technology Limited (the "Target Company"), entered into an agreement, pursuant to which the Company has conditionally agreed to acquire and the vendor has conditionally agreed to sell the sale shares, representing 60% of interests in the Target Company. The Target Company holds 100% equity interest in 上海尋山信息科技有限公司(「上海尋山」). The Target Company and 上海尋山 are collectively referred to as the "Connect Cool Group". The acquisition was completed on 10 May 2019.

The total consideration of the acquisition is HK$24,000,000 subject to the profit guarantee as set out in the agreement. The Group paid HK$12,000,000 in cash to the vendor and settled the remaining consideration of HK$12,000,000 subject to adjustment as set out below.

Pursuant to the agreement, the vendor irrevocably warrants and guarantees that the audited net profit after tax of the Connect Cool Group for the 15 months period ending 31 March 2020 shall be not less than HK$6,200,000 (the "Guaranteed Profit"). In the event that the audited net profits after tax of the Connect Cool Group fails to meet the Guaranteed Profit, the vendor irrevocably undertakes to indemnify the Company the shortfall (the "Shortfall"). Accordingly, this constitutes a contingent consideration arrangement to the Group.

After the acquisition, the Group can tap into the transportation payment solutions industry in the PRC. This acquisition is accounted for using purchase price allocation method.

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of goodwill arising from the acquisition recognised at 10 May 2019 (the date of acquisition):

| | ***HK$'000*** |
|---|---|
| **Consideration:** | |
| Cash | **12,000** |
| Contingent consideration payable *(note 25(a))* | **10,881** |
| Total consideration | **22,881** |

## 32. ACQUISITION OF SUBSIDIARIES *(continued)*

The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follow:

| | ***HK$'000*** |
|---|---|
| Plant and equipment | **3** |
| Trade and other receivables | **108** |
| Cash and cash equivalents | **1,196** |
| Trade and other payables | **(235)** |
| Total identifiable net assets | **1,072** |
| Non-controlling interests *(note i)* | **(429)** |
| Goodwill arising on acquisition *(note ii)* | **22,238** |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | **(12,000)** |
| Cash and cash equivalents acquired | **1,196** |
| | **(10,804)** |

*Notes:*

(i) The non-controlling interest recognised at the acquisition date were measured by reference to the non-controlling interest proportionate share of the recognised amounts of acquiree's identifiable net assets.

(ii) Goodwill is arisen in the acquisition of Connect Cool Group. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of the subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

During the period from the date of acquisition to the end of the reporting period, Connect Cool Group contributed HK$13,298,000 to the revenue of the Group and a profit of HK$2,934,000 to the loss of the Group for the year ended 31 March 2020. Had the acquisition occurred on 1 April 2019, the revenue and loss of the Group for the year ended 31 March 2020 would have been HK$70,465,000 and HK$22,053,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor is it intended to be a projection of future results.

Acquisition related costs amounting to HK$527,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss.

The fair value of trade and other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

## 33. DISPOSAL OF SUBSIDIARIES

### For the year ended 31 March 2021

On 27 July 2020, the Group entered into a sale and purchase agreement with non-controlling shareholder of Connect Cool Technology Limited and its subsidiary, pursuant to which the Group has conditionally agreed to sell and the purchaser has conditionally agreed to purchase the interest held by the Group (i.e. 60%) in its subsidiary, Connect Cool Technology Limited for consideration of HK$24,548,000 less shortfall adjustments of the settlement of receivable of approximately HK$7,848,000, the adjusted consideration was approximately HK$16,700,000. The disposal was completed on 17 August 2020. The net assets of the subsidiaries at the date of disposal were as follows:

| | *HK$'000* |
|---|---|
| Net assets disposed of: | |
| Plant and equipment | 6 |
| Trade and other receivables | 3,544 |
| Cash and cash equivalent | 5,854 |
| Trade and other payables | (8,161) |
| | 1,243 |
| Non-controlling interests | (497) |
| Exchange reserve released upon disposal | 80 |
| Attributable goodwill | 15,817 |
| | 16,643 |
| Total consideration | 16,700 |
| Net assets disposed of | (16,643) |
| Gain on disposal of subsidiaries | 57 |
| Analysis of the inflow of cash and cash equivalents in respect of disposal of subsidiaries: | |
| Cash | 6,694 |
| Cash | 12,548 |
| Offset consideration payable | 4,152 |
| Total consideration | 16,700 |

## 34. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 2 | 3 |
| Investments in subsidiaries | 313 | 15,971 |
| Intangible assets | – | 657 |
| | 315 | 16,631 |
| **Current assets** | | |
| Amounts due from subsidiaries | 48 | 4,904 |
| Other receivables | 134 | 179 |
| Deposits and prepayments | 424 | 215 |
| Time deposit | 13,025 | – |
| Cash and cash equivalents | 73,850 | 75,029 |
| | 87,481 | 80,327 |
| **Current liabilities** | | |
| Other payables | 451 | 658 |
| Consideration payable | – | 3,645 |
| Amount due to a subsidiary | 345 | 357 |
| | 796 | 4,660 |
| **Net current assets** | 86,685 | 75,667 |
| **Net assets** | 87,000 | 92,298 |
| **Capital and reserves** | | |
| Capital | 32,638 | 32,638 |
| Reserves | 54,362 | 59,660 |
| **Total equity attributable to owners of the Company** | 87,000 | 92,298 |

Approved and authorised for issue by the board of directors on 22 June 2021 and were signed on its behalf by:

**Li Kin Shing**
*Director*

**Ma Yuanguang**
*Director*

## 35. ULTIMATE CONTROLLING PARTY

At 31 March 2021, the directors consider that Mr. Li Kin Shing, the Chairman of the board of directors of the Company, through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

## 36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 March 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.