LC Paper No. CB(1)865/19-20(01)

For Information

Legislative Council Panel on Commerce and Industry

The Applied Research Fund

INTRODUCTION

This information paper provides an update on the financial position of the Applied Research Fund (ARF) for the period from 1 December 2019 to 29 February 2020[1]. The annual report and audited financial statements of the Applied Research Council (ARC) for the year ended 31 March 2019 are also attached.

BACKGROUND

2. The ARF is a government venture capital fund of $750 million set up in 1993 to provide funding support to technology ventures as well as research and development projects that have commercial potential. The ARC, a company wholly owned by the Government, was formed specifically to control and administer the ARF. The investments of the ARC fall into two categories: (a) those processed by the then Industry Department before the engagement of venture capital firms in November 1998; and (b) those managed by fund managers thereafter.

3. In 2003, the Administration reviewed the ARF in the context of the development of a strategic framework for innovation and technology[2] and briefed Members on the result of the review[3] in January 2005. The Panel agreed to the winding down of the ARF as proposed. Since then, we have been providing update to Members on the operation of the ARF on a quarterly basis.

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[1] At the Panel meeting on 11 December 2000, the Administration undertook to provide quarterly written reports on the progress of the ARF. This is the 76th quarterly report.

[2] Paper ref.: CB(1)1470/03-04(05) entitled "Strategic Framework for Innovation and Technology Development" discussed by the Panel on 13 April 2004 refers.

[3] Paper ref.: CB(1)690/04-05(04) entitled "New Strategic Framework for Innovation and Technology Development and Review of the Applied Research Fund" discussed by the Panel on 18 January 2005 refers.

LATEST DEVELOPMENTS

Investments processed by the then Industry Department

4. The ARC approved 27 investments in this category with a total amount of $97 million. As at end February 2020, the ARC had exited 26 investments. The remaining one is in the form of a loan and its details are at **Annex I**.

Investments managed through fund managers

5. A total of 24 investments were supported by the ARF through fund managers with approved funding of $392 million. As at end February 2020, the ARC had exited 23 investments. Details of the remaining one are at **Annex II**.

6. As at end February 2020, the valuation of the remaining active investment made by the fund manager together with the proceeds from the 23 exited investments was 66% of the corresponding total investment amount.

7. To conclude, the total valuation of the two remaining investments, together with the proceeds from the exited 49 investments made since 1993, was 66% of the total investment amount.

Annual report and audited financial statements

8. The annual report and audited financial statements of the ARC for the year ended 31 March 2019, which have been prepared in accordance with the Companies Ordinance, are at **Annex III**.

CONCLUSION

9. Members are invited to note this paper.

Innovation and Technology Commission
July 2020

Annex I

Investment Approved by the Applied Research Council before the Engagement of Fund Managers in November 1998 (Position as at end February 2020)

Information Technology

Investee Company	Type of Investment	Technology Area	Funding Approved (HK$m)
Citron Technologies Ltd.[1]	Loan	Development of a computer aided design software package	2.70

[1] The company was dissolved and a bankruptcy order was subsequently made against the personal guarantor of the loan. The chance for declaration of dividend by the trustee under the Bankruptcy Ordinance (Cap. 6) appears to be slim.

Annex II

Active Investment Approved by the Applied Research Council after the Engagement of Fund Managers in November 1998 (Position as at end February 2020)

Information Technology

Investee Company	Fund Manager	Technology Area	Funding Approved (HK$m)
Wisers Information Holdings Company Ltd.	Walden Technology Management (HK) Ltd.	Electronic aggregation and distribution of Chinese language-based content	33.84

Annex III

THE APPLIED RESEARCH COUNCIL
應用研究局

REPORTS AND FINANCIAL STATEMENTS
(EXTRACT)*
FOR THE YEAR ENDED 31 MARCH 2019

* Business Information on investee companies of the Council is not shown.

THE APPLIED RESEARCH COUNCIL
應用研究局
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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THE APPLIED RESEARCH COUNCIL
應用研究局
REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of financial support for applied research and development projects.

RESULTS

The results of the Company for the year ended 31 March 2019 and the financial position of the Company as at that date are set out in the financial statements on pages 4 to 50.

BUSINESS REVIEW

The Company is eligible for the reporting exemption under section 359 of the Hong Kong Companies Ordinance and it is not required to prepare a business review for the year.

SHARE CAPITAL

Details of the movements in issued share capital of the Company are set out in note 17 to the financial statements.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

CHEUNG Wai Hing
WONG Chi Kwong, Patrick
CHOI Suk Han, Annie (resigned on 30 July 2019)
KOO Chi Sum
CHU Ngar Yee
PUN Ting Ting, Rebecca (appointed on 30 July 2019)

LEE Kwok Bun ceased to act as alternate director to CHOI Suk Han, Annie on 30 July 2019 and appointed as alternate director to PUN Ting Ting, Rebecca on 15 August 2019.

There being no provisions in the Company's Articles of Association for the rotation of directors, all directors continue in office.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS INVOLVED IN THE COMPANY

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITOR

Ting Ho Kwan & Chan, Certified Public Accountants retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ting Ho Kwan & Chan, Certified Public Accountants as the Company's auditor is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHEUNG Wai Hing
Director

Hong Kong, 27 December 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE APPLIED RESEARCH COUNCIL 應用研究局
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of The Applied Research Council 應用研究局 (the "Company") set out on pages 4 to 50, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its 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 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 Financial Statements section of our report. We are independent of the Company 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.

Other information

The directors are responsible for the other information. The other information comprised the information included in the "Reports and Financial Statements", other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE APPLIED RESEARCH COUNCIL 應用研究局
(incorporated in Hong Kong with limited liability)

Responsibilities of directors and those charged with governance for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.

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

We communicate with those charged with governance 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.

TING HO KWAN & CHAN
Certified Public Accountants (Practising)
9th Floor, Tung Ning Building,
249-253 Des Voeux Road Central,
HONG KONG
27 December 2019

THE APPLIED RESEARCH COUNCIL

應用研究局

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		HK$	HK$
			(Note)
Turnover	6	996,411	624,469
Other gain, net	7	4,679,622	263,593
Management fee for fund managers		(428,286)	(427,304)
Administrative and other operating expenses		(197,076)	(93,167)
Profit before taxation	8	5,050,671	367,591
Taxation	9	-	-
Profit and total comprehensive income for the year		5,050,671	367,591

The notes on pages 10 to 50 are an integral part of these financial statements.

Note: The Company has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

THE APPLIED RESEARCH COUNCIL
應用研究局
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019	2018
		HK$	HK$
			(Note)
Non-current assets			
Financial assets at fair value through profit or loss	11	48,681,000	-
Available-for-sale financial assets	11	-	18,859,587
		48,681,000	18,859,587
Current assets			
Loans and other receivables	12	569,342	589,277
Fixed bank deposits	13	74,931,162	74,027,982
Cash and cash equivalents	14	2,601,643	2,308,061
		78,102,147	76,925,320
Current liability			
Other payables and accruals	15	302,520	196,439
Net current assets		77,799,627	76,728,881
Net assets		126,480,627	95,588,468

THE APPLIED RESEARCH COUNCIL
應用研究局
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2019

	Notes	2019	2018
		HK$	HK$
			(Note)
Capital and reserves			
Share capital	17	175,000,000	175,000,000
General reserve		49,980,000	49,980,000
Accumulated losses		(98,499,373)	(129,391,532)
Total equity		126,480,627	95,588,468

The financial statements were approved and authorised for issue by the Board of directors on 27 December 2019 and are signed on its behalf by:

CHEUNG Wai Hing
DIRECTOR

PUN Ting Ting, Rebecca
DIRECTOR

The notes on pages 10 to 50 are an integral part of these financial statements.

Note: The Company has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

THE APPLIED RESEARCH COUNCIL
應用研究局
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital HK$	**General reserve** HK$	**Accumulated losses** HK$	**Total** HK$
Balance at 1 April 2017	175,000,000	49,980,000	(129,759,123)	95,220,877
Profit and total comprehensive income for the year	-	-	367,591	367,591
Balance at 31 March 2018	175,000,000	49,980,000	(129,391,532)	95,588,468
Change in accounting policy - HKFRS 9 (Note)	-	-	25,841,488	25,841,488
Balance at 1 April 2018 (restated)	175,000,000	49,980,000	(103,550,044)	121,429,956
Profit and total comprehensive income for the year	-	-	5,050,671	5,050,671
Balance at 31 March 2019	175,000,000	49,980,000	(98,499,373)	126,480,627

The notes on pages 10 to 50 are an integral part of these financial statements.

General reserve represents the net amount of contribution received from members over the nominal value of shares allotted.

Note: The Company has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

THE APPLIED RESEARCH COUNCIL
應用研究局
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		HK$	HK$
			(Note)
Operating activities			
Profit before taxation		5,050,671	367,591
Adjustments for:			
Fair value gain on financial assets at fair value through profit or loss	7	(5,921,000)	-
Loss on disposal of financial assets at fair value through profit or loss	7	1,250,466	-
Impairment losses on loans and other receivables written back	7	-	(33,333)
Interest income	6	(996,411)	(624,469)
Operating cash flows before changes in working capital		(616,274)	(290,211)
Other payables and accruals		106,081	(37,381)
Net cash used in operating activities		(510,193)	(327,592)
Investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		690,609	-
Increase in fixed bank deposits		(903,180)	(2,577,173)
Bank interest received		894,263	590,234
Loans and interest repayment received		122,083	1,429,678
Net cash generated from/(used in) investing activities		803,775	(557,261)

THE APPLIED RESEARCH COUNCIL
應用研究局
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		HK$	HK$
			(Note)
Net increase/(decrease) in cash and cash equivalents		293,582	(884,853)
Cash and cash equivalents at beginning of the year		2,308,061	3,192,914
Cash and cash equivalents at end of the year	14	2,601,643	2,308,061

The notes on pages 10 to 50 are an integral part of these financial statements.

Note: The Company has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

1 GENERAL INFORMATION

The Applied Research Council 應用研究局 (the "Company") is a private limited liability company incorporated in Hong Kong. The address of its registered office and principal place of business is 21/F., West Wing, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong. Its principal activity is provision of financial support for applied research and development projects.

2 STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Company qualifies for the reporting exemption under section 359(1)(a) of the Hong Kong Companies Ordinance. The Company is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-Sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). However, the directors selected the Company's financial statements for the year ended 31 March 2019 to be prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the Company is set out in note 3.

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

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 Company. Note 4 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation of the financial statements

The measurement basis used in preparing the financial statements is historical cost except for financial assets at fair value through profit or loss (FVTPL), which are stated at fair value. The accounting policy on financial assets is summarised in note 3(C).

(B) Foreign currency translation

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

(C) Financial instruments

(I) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument.

The financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those instruments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 19(C). These investments are subsequently accounted for as follows, depending on their classification.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Financial instruments (continued)

(I) Recognition and measurement of financial assets and liabilities (continued)

(a) Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified into one of the following measurement categories:

- amortised cost, if the financial asset 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 3(G)).

- fair value through other comprehensive income (FVTOCI) - recycling, if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset 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 financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Financial instruments (continued)

(I) Recognition and measurement of financial assets and liabilities (continued)

(b) Policy applicable prior to 1 April 2018

Regular purchases and sales of financial assets were recognised on the trade date when the Company committed to purchase or sell the asset. Financial assets were initially recognised at fair value plus, in the case of the investments other than trading securities, transaction costs. At the end of each reporting period, the Company assessed whether there was any objective evidence that a financial asset or a group of financial assets was impaired, such as a significant or prolonged decline in the fair value of an investment in an equity investment below its cost. Financial assets were further categorised into the following classifications for the measurement after initial recognition.

(i) Loans and accounts receivables

Loans and accounts receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They arose when the Company provided money, goods or services directly to a debtor with no intention of trading the receivable. They were included in current assets, except for maturities greater than 12 months after the end of the reporting period which were classified as non-current assets.

(ii) Available-for-sale financial assets

Available-for-sale financial assets were stated in the statement of financial position at fair value. Gain or loss on fair value changes of available-for-sale financial assets was recognised directly in equity in the fair value reserves, except for impairment losses and, in the case of monetary items such as debt securities, which were recognised directly in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Financial instruments (continued)

(I) Recognition and measurement of financial assets and liabilities (continued)

(b) Policy applicable prior to 1 April 2018 (continued)

(ii) Available-for-sale financial assets (continued)

When the available-for-sale financial assets were derecognised, the cumulative gain or loss previously recognised directly in equity was reclassified to profit or loss. Where the available-for-sale financial assets were interest-bearing, interest calculated using the effective interest method was recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset had been recognised directly in equity and there was objective evidence that the asset was impaired, the cumulative loss that had been recognised directly in equity was removed from equity and recognised in profit or loss even though the financial asset had not been derecognised.

Investments were recognised/derecognised on the date the Company committed to purchase/sell the investments or they expired.

The amount of the cumulative loss that was removed from equity and reclassified to profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on those financial assets previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss. Any subsequent increase in the fair value of such investment was recognised directly in equity. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increased and the increase could be objectively related to an event occurring after the recognition in profit or loss of the impairment loss, the impairment loss was reversed, with the amount of the reversal recognised in profit or loss. Impairment losses were written off against the corresponding investments directly.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Financial instruments (continued)

(I) Recognition and measurement of financial assets and liabilities (continued)

(b) Policy applicable prior to 1 April 2018 (continued)

(ii) Available-for-sale financial assets (continued)

Investments in unquoted equity instruments whose fair value could not be reliably measured and derivatives that were linked to and had to be settled by delivery of such unquoted equity instruments, were measured at cost less any impairment losses. If there was objective evidence that an impairment loss had been incurred on such instrument, the amount of impairment loss was measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar instrument. Such impairment losses were not reversed.

Fair value of an instrument on initial recognition was normally the transaction price, unless it was estimated by using a valuation technique when part of the consideration given or received was for something other than the investment.

After initial recognition, the fair value of an investment quoted in an active market was based on the current bid price and, for investments not quoted in an active market, the Company established the fair value of such investment by using a valuation technique. Valuation techniques included using recent arm's length market transactions between knowledgeable willing parties, if available, by reference to the current fair value of another instrument that was substantially the same, discounted cash flows analysis and option pricing models.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, demand deposits with bank and other financial institutions, and short-term, highly liquid investments that are readily convertible to 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 3(H).

(E) Income tax

Income tax (if any) 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 amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax (if any) 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.

Deferred tax assets and liabilities (if any) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities (if any), and all deferred tax assets (if any) 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 (if any) are those temporary differences arising from goodwill (if any) 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 Company 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. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset (if any) 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 (if any) are recognised when the liability to pay the related dividends is recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) Income tax (continued)

Current tax balances (if any) and deferred tax balances (if any), and movements therein (if any), 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 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 intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- 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.

(F) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Further details of the Company's revenue recognition policies are as follows:

(I) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(H)).

(II) Net gains/losses on financial assets at FVTPL

Realised gain or loss on financial assets at FVTPL is recognised on a trade date whilst unrealised gain or loss on such financial assets is recognised to restate to their fair value at the end of the reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Credit losses and impairment of assets

(I) Credit losses from financial instruments

(a) Policy applicable from 1 April 2018

The Company recognises a loss allowance for ECLs on the following item:

- financial assets measured at amortised cost (including cash and cash equivalents, fixed bank deposits and loans and other receivables)

(i) 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 Company in accordance with the contract and the cash flows that the Company 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, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable; or
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Credit losses and impairment of assets (continued)

(I) Credit losses from financial instruments (continued)

(a) Policy applicable from 1 April 2018 (continued)

(i) Measurement of ECLs (continued)

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

In measuring ECLs, the Company 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, lease 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 Company'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 Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Credit losses and impairment of assets (continued)

(I) Credit losses from financial instruments (continued)

(a) Policy applicable from 1 April 2018 (continued)

(ii) Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company 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 Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Company 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.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Company becomes a party to the irrevocable commitment.

In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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 Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Credit losses and impairment of assets (continued)

(I) Credit losses from financial instruments (continued)

(a) Policy applicable from 1 April 2018 (continued)

(iii) Basis of calculation of interest income

Interest income recognised in accordance with note 3(G) 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 Company 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.

(iv) Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract 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 Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Credit losses and impairment of assets (continued)

(I) Credit losses from financial instruments (continued)

(b) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, the Company assessed at each reporting date whether there was an objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the statement of comprehensive income.

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 April 2018. The Company has adopted the following new and revised standards for the first time for the current year's financial statements:

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Investment property: Transfer of investment properties
HK(IFRIC) Int-22	Foreign currency transactions and advance consideration
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Annual Improvements 2014-2016 Cycle	

Except for the amendments included in Amendments to HKFRS 2, Amendments to HKFRS 4, Amendments to HKAS 40 and Annual Improvements 2014-2016 Cycle which are not relevant to the preparation of the Company's financial statements, the nature and impact of the amendments are described below.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company has applied HKFRS 9 retrospectively to item that existed at 1 April 2018 in accordance with the transition requirements. The Company has recognised the cumulative effect of initial application as an adjustment to opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (continued)

The following table summarises the impact of transition of HKFRS 9 on accumulated losses of the Company at 1 April 2018.

	HK$
Accumulated losses	
Recognition of fair value gain relating to available-for sale financial asset now measured at FVTPL	25,841,488
Increased in accumulated losses at 1 April 2018	25,841,488

Further details of the nature and effect of the changes to previous accounting policies resulting from its adoption of HKFRS 9 are set out below.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at FVTOCI and at FVTPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. Classification of a financial asset under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flows characteristics.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Company's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 April 2018**
	HK$	HK$	HK$	HK$
Financial assets carried at amortised cost				
Loans and other receivables	589,277	-	-	589,277
Fixed bank deposits	74,027,982	-	-	74,027,982
Cash and cash equivalents	2,308,061	-	-	2,308,061
	76,925,320	-	-	76,925,320
Financial assets carried at FVTPL				
Unlisted equity securities	-			
Convertible preference shares	-			
Unlisted debt securities	-			
	-	18,859,587	25,841,488	44,701,075
Financial assets classified as available-for-sale under HKAS 39				
Unlisted equity securities	14,967,713	(14,967,713)	-	-
Unlisted debt securities	3,891,874	(3,891,874)	-	-
	18,859,587	(18,859,587)	-	-

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 3(C) and 3(G).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9. The Company did not designate or de-designate any financial asset or financial liability at FVTPL at 1 April 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Company applies the new ECL model to the financial assets measured at amortised cost, including loans and other receivables, fixed bank deposits and cash and cash equivalents.

The adoption of the new ECL model has no significant impact to the financial statements of the Company.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Company):

  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVTOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers and Related Amendments

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

The adoption of HKFRS 15 does not have any material impact on the Company's financial statements based on the existing business model of the Company.

HK(IFRIC) Int-22 Foreign currency transactions and advance consideration

HK(IFRIC) Int-22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expenses or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, a date of transaction must be determined for each payment or receipt. The Int does not have any impact on the Company's financial statements.

The Company has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 20).

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's management makes assumptions, estimates and judgements in the process of applying the Company's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Critical judgement in applying the Company's accounting policies

(i) Impairment losses on loans and other receivables

The policy for impairment losses on loans and other receivables of the Company is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each loan borrowers. If the financial conditions of loan borrowers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Details of disclosures for loans and other receivables are set out in note 12.

(ii) Fair value measurements and valuation processes

Some of the Company's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages independent professional valuers to perform the valuation. The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 11 and 19 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

6 TURNOVER

Turnover represents interest income received and receivable as follows:

	2019	**2018**
	HK$	HK$
Interest income from bank deposits	996,411	624,469

7 OTHER GAIN, NET

	2019	**2018**
	HK$	HK$
Fair value gain on financial assets at FVTPL		-
Loss on disposal of financial assets at FVTPL		-
	4,670,534	-
Exchange gain, net	9,088	230,260
Impairment losses on loans and other receivables written back	-	33,333
	4,679,622	263,593

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019	**2018**
	HK$	HK$
Auditor's remuneration	65,000	52,000
Other services provided by the Auditor	5,000	4,000

9 TAXATION IN THE STATEMENT OF COMPREHENSIVE INCOME

No provision for Hong Kong Profits Tax is made in the financial statements as the Company has sustained a tax loss for the year (2018: Nil).

Reconciliation between tax expense and accounting profit at applicable tax rate:

	2019	**2018**
	HK$	HK$
Profit before taxation	5,050,671	367,591
Tax calculated at applicable tax rate of 16.5% (2018: 16.5%)	833,360	60,653
Tax effect of non-taxable income	(1,142,872)	(141,030)
Tax effect of unused tax losses not recognised	309,512	80,377
Taxation charge	-	-

10 DIRECTORS' EMOLUMENTS

None of the directors received or will receive any fees or emoluments in respect of their services to the Company during the year (2018: Nil). The Company has no key management personnel other than directors.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2019	**2018**
	HK$	HK$
Financial assets at FVTPL		
Unlisted equity securities		-
Convertible preference shares		-
Unlisted debt securities		-
Available-for-sale financial assets:		
Unlisted debt securities	-	27,693,698
Unlisted equity securities	-	14,967,713
Less: Impairment loss	-	(23,801,824)
	48,681,000	18,859,587

As at 31 March 2019, the unlisted equity securities were stated at fair values which have been determined by Roma Appraisals Limited, an independent professional valuer appointed by the Company, based on the contingent claim method under different scenarios.

As at 31 March 2019, the convertible preference shares were stated at fair values which have been determined by Roma Appraisals Limited, an independent professional valuer appointed by the Company, based on the contingent claim method under different scenarios.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Financial assets at FVTPL were presented within the section of operating activities as part of changes in working capital in the statement of cash flows.

Gains/losses on disposal of financial assets at FVTPL and their changes in fair value were recorded in other gain, net in the income statement (see note 7).

As at 31 March 2018, the accumulated impairment loss of HK$23,801,824 was solely attributable to the Company's investments in debt securities.

As at 31 March 2018, the Company's available-for-sale financial assets were individually determined to be impaired on the basis of a prolonged decline in their fair value below cost which indicated that the cost of Company's investments in them may not be recovered. Impairment losses on these financial assets were recognised in profit or loss in accordance with the policy set out in note 3(H).

12 LOANS AND OTHER RECEIVABLES

	2019	**2018**
	HK$	HK$
Loans and interest receivables	2,543,688	2,878,541
Less: Allowance for impairment losses	2,543,688	2,756,458
	-	122,083
Bank interest receivables	569,342	467,194
	569,342	589,277

Under HKFRS 9, for the loans and other receivables, the Company measures the loss allowance in accordance with note 3(H)(I)(a)(i).

12 LOANS AND OTHER RECEIVABLES (CONTINUED)

As at 31 March 2019, an analysis of the gross amount of loans receivables is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$	HK$	HK$	HK$
As at 31 March 2019	-	-	2,543,688	2,543,688

Note:

Definition of Stage 1, Stage 2 and Stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Movements of the allowance for impairment loss of bad and doubtful debts are as follows:

	2019	**2018**
	HK$	HK$
As at 1 April	2,756,458	5,999,963
Reversal of allowance previously recognised	-	(33,333)
Impairment loss written off	(212,770)	(3,210,172)
As at 31 March	2,543,688	2,756,458

13 FIXED BANK DEPOSITS

	2019	**2018**
	HK$	HK$
Bank deposits with maturity greater than three month	74,931,162	74,027,982

The effective interest rate on bank deposits at 31 March 2019 was ranging from 1.00% to 3.00% (2018: 0.65% to 1.50%) per annum. The deposits were due within eleven months (2018: ten months) after the end of the reporting period.

Fixed bank deposits shown in the statement of financial position include the following amount denominated in the currency other than the Company's functional currency, HK dollars:

	2019	**2018**
US Dollars	3,050,485	2,992,765

14 CASH AND CASH EQUIVALENTS

	2019	**2018**
	HK$	HK$
Cash at banks	2,601,643	2,308,061

Included in cash and cash equivalents in the statement of financial position are the following amount denominated in a currency other than the Company's functional currency, HK dollars:

	2019	**2018**
US Dollars	115,518	32,502

15 OTHER PAYABLES AND ACCRUALS

	2019	**2018**
	HK$	HK$
Accrued expenses	302,120	196,039
Others	400	400
	302,520	196,439

The carrying amounts of other payables approximate their fair values at 31 March 2019 as the impact of discounting is not significant.

16 DEFERRED TAXATION

Deferred tax asset has not been recognised in respect of the following item:

	2019	**2018**
	HK$	HK$
Tax losses	284,087,632	282,211,804

The Company has not recognised deferred tax asset in respect of unused tax losses as it is not probable that sufficient future taxable profits will be available against which the unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The tax losses do not expire under current tax legislation.

17 SHARE CAPITAL

	2019		**2018**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
		HK$		HK$
Issued and fully paid:				
Ordinary shares at beginning and end of the year	175,000,000	175,000,000	175,000,000	175,000,000

18 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company at 31 March 2019 to be Financial Secretary Incorporated, which is incorporated in Hong Kong.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(A) Financial instruments

The Company has classified its financial instruments in the following categories:

	At amortised cost (2018: Loans and receivables)	Assets at FVTPL	Available-for-sale financial assets	Total
	HK$	HK$	HK$	HK$
Assets as per statement of financial position				
31 March 2019				
Financial assets at FVTPL	-	48,681,000	-	48,681,000
Loans and other receivables	569,342	-	-	569,342
Fixed bank deposits	74,931,162	-	-	74,931,162
Cash and cash equivalents	2,601,643	-	-	2,601,643
Total	78,102,147	48,681,000	-	126,783,147
31 March 2018				
Available-for-sale financial assets	-	-	18,859,587	18,859,587
Loans and other receivables	589,277	-	-	589,277
Fixed bank deposits	74,027,982	-	-	74,027,982
Cash and cash equivalents	2,308,061	-	-	2,308,061
Total	76,925,320	-	18,859,587	95,784,907

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial instruments (continued)

	Financial liabilities at amortised costs HK$
Liabilities as per statement of financial position	
31 March 2019	
Other payables and accruals	302,520
31 March 2018	
Other payables and accruals	196,439

(B) (I) Financial risk factors

The main purpose of the Company's financial instruments in listed and unlisted equity and debts investments in Hong Kong and loans to those investee companies is to provide financial support for applied research and development projects. The other major financial assets held by the Company is cash at banks.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(B) (I) Financial risk factors (continued)

The main risks associated with the financial instruments and assets of the Company are set out below:

(a) Market risk

Market risk is the risk that the value of financial assets will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

(i) Foreign currency risk

The Company is exposed to foreign currency risk arising from fixed bank deposits and cash and cash equivalents denominated in United States dollars.

No sensitivity analysis for the Company's exposure to currency risk is prepared since the management's assessment of reasonably changes in value of the HK dollar against the US dollars is insignificant.

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk resulted from timing differences in the repricing of interest bearing assets. Major interest bearing assets of the Company are short-term bank deposits.

The Company monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

Besides, the Company has no significant interest bearing borrowing during the year.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(B) (I) Financial risk factors (continued)

(b) Price risk

The Company is exposed to other price risk through investments in equity and debt securities. The sensitivity to price risk in relation to the investments in equity and debt securities cannot be reliably determined due to numerous uncertainties regarding the future development of these investments.

(c) Credit risk

The Company's credit risk is primarily attributable to fixed bank deposits, cash and cash equivalents and loans and other receivables.

The credit risk on bank balances and bank deposits is considered negligible, since the counterparties are reputable banks with good external credit ratings.

The Company does not provide any financial guarantees which would expose the Company to credit risk.

<u>Before adoption of HKFRS 9 as at 1 April 2018</u>

In order to minimise the credit risk arising from loans and accounts receivables and available-for-sale financial assets, the management of the Company had appointed fund managers to monitor the investments. In addition, the Company reviewed the recoverable amount for each individual accounts receivables at the end of each reporting period to ensure that adequate impairment losses were made for irrecoverable amounts.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(B) (I) Financial risk factors (continued)

(c) Credit risk (continued)

After adoption of HKFRS 9 as at 1 April 2018

For fixed bank deposits and cash and cash equivalents and loans and other receivables, the Company measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

In the current year, other than loans receivables assessed on lifetime ECL, the other receivables are assessed on 12 months ECL basis as there had been no significant increase in credit risk since initial recognition.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from loans and other receivables are set out in note 12.

(d) Liquidity risk

Liquidity risk is defined as the risk that funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining adequate reserves. The Company performs periodically cash flow forecasts to monitor future cash flows. The bank and loan interest income provides a stable source of funds to the Company. The current financial strength of the Company poses no threat of liquidity to the Company.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(B) (II) Capital risk management

Capital comprises of share capital, general reserve and accumulated losses stated in the statement of financial position. The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year of 2018 and 2019.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

The Company is not subject to either internally or externally imposed capital requirements.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(C) Fair value measurement

(I) Financial assets and liabilities measured at fair value

(a) Fair value hierarchy

The following tables present the fair value of the Company'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 in which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and 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.

	Fair value at 31 March 2019	**Fair value measurements as at 31 March 2019 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$	HK$	HK$	HK$
Recurring fair value measurement				
Assets				
Unlisted equity securities		-	-	
Convertible preference shares		-	-	
	48,681,000	-	-	48,681,000

During the years ended 31 March 2018 and 2019, there were no transfers between Level 1 and 2, or transfer into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(C) Fair value measurement (continued)

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

(b) Information about Level 3 fair value measurement

The fair value of the unlisted equity securities and convertible preference share is determined using the contingent claim method in determining the fair value of the shares under different scenarios, namely IPO, liquidation/sales and redemption.

Description	**Valuation techniques**	**Unobservable inputs**
Unlisted equity securities		
- for IPO Scenario		Probability of IPO
- for Liquidation/Sales Scenario		Probability of Liquidation/Sales
- for Redemption Scenario		Probability of Redemption
	Discounted cash flow method	Long term growth rate for cash flows
		Weighted average cost of capital
		Marketability Discount
		Minority Discount
	Black-Scholes option pricing model	Risk Free Rate
		Expected Volatility
		Expected Dividend Yield
		Marketability Discount
		Minority Discount

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(C) Fair value measurement (continued)

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

(b) Information about Level 3 fair value measurement (continued)

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

	2019	**2018**
	HK$	HK$
At 1 April	-	-
Effect on the change of accounting policies - HKFRS 9	44,701,075	-
Net gains recognised in profit or loss during the year (note 7)	4,670,534	-
Proceeds from disposal	(690,609)	-
At 31 March	48,681,000	-

The gains/losses arising from the disposal of financial assets at fair value through profit or loss is presented in “Other gain, net” in the statement of comprehensive income.

(II) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company’s other financial instruments carried at cost or amortised cost are approximate to their fair values as at 31 March 2019 and 2018 due to their short maturities.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been early adopted in these financial statements.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint venture	1 January 2019
HK(IFRIC) Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations. So far the Company has identified some aspects of the new requirements under HKFRS 9 as discussed below. Further impacts may be identified in the course of the assessment and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date as well as which transitional approach to take, where there are alternative approaches allowed.

Amendments to HKFRS 9 "Prepayment features with negative compensation"

The HKICPA issued two amendments to HKFRS 9 in November 2017 and December 2017 respectively.

The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met instead of at FVTPL.

The second amendment clarifies, in the Basis for Conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

The above standard is mandatory for first annual period beginning on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before the effective date.

Except for the above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Company's future financial statements. The Company has not early applied the new and revised HKFRSs that have been issued but are not yet effective.