LAI GROUP HOLDING COMPANY LIMITED
禮建德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8455

ANNUAL REPORT 2019

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Chan Lai Sin *(Chairman)*
Mr. Gan Jianjun (resigned on 30 August 2018)
Mr. Hung Lap Ka
Ms. So Hiu Bik (resigned on 1 June 2018)

Independent non-executive Directors
Mr. Kwan Ngai Kit
Ms. Lui Lai Chun
Mr. Wu Loong Cheong Paul

BOARD COMMITTEES

Audit Committee
Mr. Kwan Ngai Kit *(Chairman)*
Ms. Lui Lai Chun
Mr. Wu Loong Cheong Paul

Remuneration Committee
Ms. Lui Lai Chun *(Chairman)*
Mr. Chan Lai Sin
Mr. Kwan Ngai Kit
Mr. Wu Loong Cheong Paul

Nomination Committee
Mr. Wu Loong Cheong Paul *(Chairman)*
Mr. Chan Lai Sin
Mr. Kwan Ngai Kit
Ms. Lui Lai Chun

COMPANY SECRETARY

Ms. Ng Hoi Ying (appointed on 1 March 2019)
Ms. Tam Kwai Heung *(FCPA)* (resigned on 1 March 2019)

AUTHORISED REPRESENTATIVES

Mr. Chan Lai Sin
Ms. Ng Hoi Ying (appointed on 1 March 2019)
Ms. Tam Kwai Heung *(FCPA)* (resigned on 1 March 2019)

COMPLIANCE OFFICER

Mr. Chan Lai Sin

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F., Siu On Centre
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Wan Chai
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Units 4101-4104, 41/F
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30 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shek Mun
Sha Tin
New Territories
Hong Kong

PRINCIPAL BANKS

Bank of China
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

8455

COMPANY'S WEBSITE

www.dic.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Group, present our annual report for the year ended 31 March 2019.

REVIEW

The Group's revenue increased by approximately 9.3% from approximately HK$121.8 million for the year ended 31 March 2018 to approximately HK$133.2 million for the year ended 31 March 2019.

The Group's gross profit increased by approximately HK$1.3 million, by 4.1%, from approximately HK$32.0 million for the year ended 31 March 2018 to approximately HK$33.3 million for the year ended 31 March 2019. Gross profit margin decreased from approximately 26.3% for the year ended 2018 to approximately 25.0% for the reporting year. Such decrease was mainly due to the rising cost of subcontracting charges.

During the year ended 31 March 2019, the Group recorded the loss attributable to owners of the Company of approximately HK$3.0 million, representing a substantial decrease as compared with profit of approximately HK$149,000 for the year ended 31 March 2018. The decrease was mainly due to (i) an increase in the costs of raw material and labour of the residential interior design and fit-out projects; and (ii) an increase in the advertisement expenses of the Company.

PROSPECT

With the optimistic prospect of the local interior design and fit-out services, it is expected to be mixed with opportunities and challenges for 2019-2020. According to the latest Long-Term Housing Strategy Annual Report (2018), the Hong Kong Government plans to adjust the ratio of public housing to private housing in the next 10 years, from 60/40 to 70/30. There are strong demands in the local public and private housing markets; the continued growth of housing units will result in higher customer value spending on residential interior design services.

Although the Group is encountering rising labour costs and advertisement expenses, it has strengthened its position in the interior design and fit-out services by reinforcing the brand promotion in the mainstream media and new media, which attracted a large number of new customers.

Despite the challenges in the future, the Group will continue to enhance the customer experience and satisfaction through the recruitment of talents, the provision of training and the improvement of management skills, so that the Group will continue to grow in the long run and create greater value for the shareholders.

Chan Lai Sin
Chairman and Executive Director

Hong Kong
24 June 2019

BUSINESS REVIEW

The Group is principally engaged in provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, providing the Group's customers with creative and innovative designs that synergise with the latest market and design trends. In order to complete the projects, the Group relies on its subcontractors to implement the designs with high quality fittings and furnishings.

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK$133.2 million and HK$121.8 million, of which approximately HK$112.6 million and HK$106.7 million representing 84.5% and 87.6% of the Group's total revenue were generated from residential interior design and fit-out services for the years ended 31 March 2019 and 2018, respectively. Approximately HK$20.6 million and HK$14.4 million, representing 15.5% and 11.8% of the Group's total revenue were generated from commercial interior design and fit-out services for the years ended 31 March 2019 and 2018, respectively.

For the year ended 31 March 2019, the Group recorded a net loss of approximately HK$2.9 million as compared to a net profit of approximately HK$315,000 for the same period in 2018. The Directors are of the view that the net loss was mainly attributable to (i) the increase in advertisement expenses to strengthen the sales and marketing efforts; and (ii) the increase in monthly rental expenses for the new property leased for the Group's new branch in Yuen Long. In view of the latest negotiations with existing and potential new customers, the Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability of the Group's business.

OUTLOOK

As the Hong Kong home prices continues to rise, residential properties are becoming less affordable to the mass market. Property developers continue to build smaller and smaller units to compensate for the rise in prices to make smaller homes more affordable. However, these smaller properties are still out of reach for some first time home buyers.

The Company is of the view that the current trend in the Hong Kong property market favors the business of the Group as home owners find it increasingly difficult to afford new homes and have to resort to renovating their existing property to improve their living environment. As such, the Company will continue to build on the marketing and promotional strategy, as outlined in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**"), to increase the awareness of the Group's brand name in the renovation and interior fit-out market. In view of the possible increase in market size, the Group continues to expand its business coverage throughout Hong Kong in order to improve its reach to more potential customers. This involves opening more branches to serve more potential customers in areas previously not covered by the Group.

However, the Company is also aware of the rising cost of operating a business in Hong Kong, which is partly contributed by the rising property prices. Therefore, the Board remains cautious in expanding and will continue to monitor its cost, as well as the current market trend to anticipate any downturn or changes in the current property market trend.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from provision of interior design and fit-out services in Hong Kong which includes two main categories namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. During the reporting year, the Group's revenue increased by approximately 9.3% to approximately HK$133.2 million (2018: HK$121.8 million), primarily attributable to increase in revenue from residential and commercial interior design and fit-out projects.

	For the year ended 31 March			
Revenue by business nature	**2019**		2018	
	HK$'000	**%**	HK$'000	%
Residential interior design and fit-out services	**112,567**	**84.5**	106,735	87.6
Commercial interior design and fit-out services	**20,610**	**15.5**	14,359	11.8
Others	**–**	**–**	746	0.6
Total	**133,177**	**100.0**	121,840	100.0

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The table below sets forth a breakdown of components of direct costs for the years ended 31 March 2019 and 2018:

Components of direct costs	For the year ended 31 March 2019 HK$'000	2019 %	2018 HK$'000	2018 %
Materials	**17,421**	**17.4**	25,880	28.8
Subcontracting charges	**73,249**	**73.4**	54,181	60.3
Staff costs	**7,320**	**7.3**	9,385	10.4
Warranty expenses	**1,884**	**1.9**	407	0.5
Total	**99,874**	**100.0**	89,853	100.0

The Group's direct costs increased by approximately 11.2% from approximately HK$89.9 million for the year ended 31 March 2018 to HK$99.9 million for the year ended 31 March 2019. Such increase was in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately HK$1.3 million, or 4.1%, from approximately HK$32.0 million for the year ended 31 March 2018 to approximately HK$33.3 million for the year ended 31 March 2019. The Group's gross profit margin was approximately 25.0% for the year ended 31 March 2019, representing a decrease of approximately 1.3 percentage points as compared to approximately 26.3% for the year ended 31 March 2018. The decrease in gross profit margin was mainly due to the rising cost of subcontracting charges.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the year ended 31 March 2019 were approximately HK$36.4 million, representing an increase of approximately 15.6% from approximately HK$31.5 million for the year ended 31 March 2018, primarily due to the increase in advertising expense and rental expense.

Finance costs

Finance costs of the Group decreased by approximately 25.7% from approximately HK$105,000 for the year ended 31 March 2018 to approximately HK$78,000 for the year ended 31 March 2019. The decrease in finance costs was mainly attributable to the decrease in interest on finance leases for the year ended 31 March 2019.

Income tax credit/expense

The Group's income tax credit was approximately HK$127,000 for the year ended 31 March 2019 compared to income tax expense of approximately HK$173,000 for the year ended 31 March 2018. The income tax credit was mainly derived from income in deferred tax assets arising from provision for warranties.

Loss/profit attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 March 2019 amounted to approximately HK$3.0 million, representing a substantial decrease as compared with profit of approximately HK$149,000 for the year ended 31 March 2018. It was mainly due to the decrease in revenue and increase in administrative and other operating expenses for reasons mentioned above.

BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

Business strategy as stated in the Prospectus	Progress up to 31 March 2019
Expansion of market coverage in Hong Kong	
• To acquire a new office in Tsuen Wan through mortgages, financing and the related fees due to the acquisition of the new office, fit-out and refurbishment costs and fit out new offices due to relocation on refurbish office design	In view of the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business. Therefore, the Board has entered into a lease to serve as its Tsuen Wan branch upon the expiration of tenancy of the existing Tsuen Wan branch until a suitable property is located
Strengthen sales and marketing efforts	
• To increase advertising frequency on traditional media such as weekly magazine and billboards	The Group is in the progress of finding suitable media channels for engaging in an informative advertising campaign
• To increase online advertisement	The Group has increased the frequency of online advertisement during the period
• To engage a celebrity to market and endorse our services	The Group has engaged a celebrity as our spokesperson
Recruiting high caliber talents and enhance internal training to support future growth	
• To hire additional employees and talents	The Group has hired additional project supervisors, draftsman and designer assistants to facilitate the business development
• To organise internal training and seminar	The Group has provided internal training to existing and new hiring staff
• To offer incentive bonus to employees	Portion of proceeds were used for hiring additional employees and talents
Upgrade the information systems	
• To pay the final stage payment for software development	The new system needs to pair with the existing system which is experiencing unexpected delays
Development of fleet of vehicles	
• To purchase a vehicle and pay the related fees due to the purchase of the vehicle	The Group has purchased three vehicles and paid the relevant fees

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing on 12 April 2017 (the "**Listing Date**") through the share offer of 200,000,000 shares of HK$0.01 each in the share capital of the Company at the price of HK$0.26 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$34.8 million.

The below table sets out the proposed applications of the net proceeds from the Listing Date to 31 March 2019:

	Planned use of proceeds from Listing Date to 31 March 2019 HK$ million	Actual use of proceeds from Listing Date to 31 March 2019 HK$ million
Expansion of market coverage in Hong Kong	9.5	–
Strengthen sales and marketing efforts	3.3	3.3
Recruiting high caliber talent and enhance internal training to support future growth	3.3	3.2
Upgrading information systems	1.6	–
Development of fleet of vehicles	2.1	1.3
General working capital	1.4	1.4
Total	21.2	9.2

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 12 April 2017. There has been no change in the capital structure of the Group since the Listing Date and up to date of this report. The capital of the Group only comprises of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and finance lease.

As at 31 March 2019, the Group had finance lease liabilities of approximately HK$1.4 million which was denominated in Hong Kong Dollars (2018: HK$1.3 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 31 March 2019, the Group had approximately HK$53.1 million in cash and bank balance (2018: approximately HK$48.7 million). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

As at 31 March 2019, the gearing ratio of the Group was approximately 2.9% (2018: 2.5%). The increase in gearing ratio was mainly due to the increase in finance lease obligations for acquisition of motor vehicles. Gearing ratio is calculated as total interest-bearing liabilities divided by total capital. Total interest-bearing liabilities is calculated as total finance lease liabilities. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

CHARGE ON GROUP ASSETS

As at 31 March 2019, the Group has pledged its motor vehicle with net book value amounted to approximately HK$1.6 million (2018: HK$1.4 million), under finance lease agreements.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019. There was no other plan for material investments or capital assets as at 31 March 2019.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2019 (2018: Nil).

COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2019 (2018: Nil).

The contractual commitments mainly involve rental payable by the Group in respect of office premises and office equipment under non-cancellable operating leases. As at 31 March 2019, the Group's operating lease commitments were approximately HK$4.9 million (2018: HK$3.2 million).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is providing interior design and fit-out services in Hong Kong.

FINAL DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 51 employees working in Hong Kong (2018: 63). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2019 amounted to approximately HK$17.5 million (2018: HK$20.0 million).

PRINCIPAL RISKS AND UNCERTAINTIES

Interest rate risk

Interest rate risk is insignificant because the Group does not have any significant interest-bearing assets except for bank balance, in which the management is expected that the interest rates of bank balances will not change significantly. The Group is not exposed to cash flow interest rate risk arising from the Group's borrowings as finance lease liabilities are at fixed interest rates. The Group does not use any derivative financial instruments to hedge risk exposure against changes in interest rates.

Credit risk

The credit risk of the Group mainly arises from contract assets, trade and other receivables, amount due from a director and cash and bank balances. The carrying amounts, where applicable, of each class of these assets represent the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates. The Group's credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual and/or collective credit evaluations are performed on the Group's customers and counterparties. Monitoring procedures have been implemented to ensure that follow-up action will be taken to recover overdue debts. The Group performs impairment assessment under the expected credit loss model upon application of HKFRS 9 (2018: incurred loss model) on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

Liquidity risk

The Group has maintained a policy to monitor current and expected liquidity requirements regularly to ensure that the Group can maintain sufficient reserve of cash to meet liquidity requirements in both long and short terms as well as maintaining sufficient financial resources to fund operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programs related to wastewater discharge management, noise control, resources and energy use control, environmental protection enhancement and sustainable development, internal environmental examination and evaluation, environmental emergency response and impact control. The Group also commits to the principle and practice of recycling and reducing. To protect the environment, the Group implements green office practices such as re-deployment of office furniture as far as possible, to encourage use of recycled paper for printing and copying, double-sided printing and copying, to reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances. The Group's operations were in compliance in all material respects with current applicable environmental protection laws and regulations in the Hong Kong during the year ended 31 March 2019.

For details of environmental, social and governance performance of the Group, please refer to the Environmental, Social and Governance report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the reporting year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 March 2019, there was no significant dispute between the Group and its suppliers, customers and/or stakeholders.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this report, there is no other important event affecting the Group's since 31 March 2019 and up to date of this report.

ABOUT THE REPORT

This report is the "Environmental, Social and Governance Report" (collectively "**the ESG Report**") published by the Group, which discloses the Group's measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders' confidence and understanding on the Group.

REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 April 2018 to 31 March 2019 (the "**Reporting Period**"). The Group is going to release the ESG Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

The Group is principally engaged in provision of interior design and fit-out service in Hong Kong. The ESG Report covers the environmental, social and governance performance ("**ESG performance**") of the headquarter, branches and project sites in Hong Kong. After the comprehensive completion of data collection system and the Group's deepening in its environmental, social and governance work, the Group has identified certain environmental, social and governance issue ("**ESG issues**") relevant to the Group, which have been assessed by considering their materiality and importance to the Group's principal activities, stakeholders as well as the Group. Those identified ESG issues and Key Performance Indicators ("**KPIs**") have been disclosed in the ESG Report.

REPORTING STANDARDS

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("**ESG Guide**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") set out in Appendix 20 of the GEM Listing Rules. The ESG Report provides a simplified overview on the ESG performance of the Group. The information in the ESG Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

STAKEHOLDER ENGAGEMENT

The Stock Exchange has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the ESG Report. As the Stock Exchange emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include employees, management and directors, as well as external stakeholders such as clients, business partners, investors, regulatory authorities and various types of community groups. In the past year, we communicated with the key stakeholders through a variety of methods. While preparing the ESG Report, we commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

Table 1: Stakeholder engagement

Stakeholder	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Corporate strategy and governance • Risk mitigation and management	• Annual General Meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Clients	• Robust project management • Full compliance with regulations • Sustainability performance of operations	• Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and wellbeing	• Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Sub-contractors	• Effective project management • Occupational health and safety • Ethical business practices • Sub-contractors assessment criteria	• Annual Health, Safety and Environment seminars • Training sessions • Regular progress meetings • Audits and assessments
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

ENVIRONMENT PROTECTION

Emissions

Emissions from the course of operations

Major emissions from project sites are air pollutants and wastes. The Group manages these emissions and is committed to seeking practical means to reduce their impact on the environment.

For Construction and Demolition ("**C & D**") materials, the mixed C & D materials are disposed at three strategic landfills through the logistic service provider trucks from the government authorized service provider. With the use of government authorized service provider to handle mixed C&D materials, illegal dumping can be prohibited.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations.

Emissions from vehicle usage

During our operation, the usage of private cars and light goods vehicles generate the emission of nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and Particulate Matters ("**PM**"). The usage of light goods vehicles and the use of electricity in office also generate greenhouse gases. The approximate amount of NOx, SOx and PM produced from our operations in Hong Kong region are shown in the table below:

Table 2: Number of Cars

Region	Types of Cars	2019 Number of Cars	2018 Number of Cars
Hong Kong	Private cars	11	13
	Light goods vehicles (2.5-3.5 tonnes)	1	1
Total		12	14

Table 3: Air emissions from vehicle usage

Region	Types of air emissions	2019 Volume (Tonnes)	2018 Volume (Tonnes)
Hong Kong	NO_x	0.07	0.06
	SO_x	0.0003	0.0003
	PM	0.005	0.004

Generally, the volume of air emissions in 2019 remains at a reasonably low level, similar to the incurred volume in last financial year.

In respect of reducing the NO_x, SO_x and PM emissions, the Group is committed to reducing and implementing the efficient usage of private cars and light goods vehicles. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) avoid peak hour traffic; ii) encourage the use of public transport; and iii) utilize the vehicle usage by car pooling with different staff.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of production and vehicle usage.

Greenhouse Gas "GHG" Emissions

During the course of operations, there are GHG emissions principally resulting from vehicle usage, electricity consumed and the use of electricity for processing fresh water and sewage water at head office and branches.

Scope 1 – Combustion of fuels in mobile sources controlled by the Group

During the operations of the Group, due to the intense usage of private cars and light goods vehicles to perform the interior design and furnishing services, a certain amount of greenhouse gases is produced.

The Group strictly controls the emissions of GHG through the establishment of a comprehensive data collection system. This system help the Group to monitor the monthly usage of all vehicles to maintain the efficiency at a prominent level.

The approximate amount of carbon dioxide (CO_2), methane (CH_4) and nitrous oxides (N_2O) produced from our operations in Hong Kong are shown in the table below:

Table 4: GHG emissions-Scope 1 – Combustion of fuels in mobile sources controlled by the Group

Region	GHG Emissions	2019 Volume (Tonnes)	2018 Volume (Tonnes)
Hong Kong	CO_2	48.04	*N/A
	CH_4	0.08	*N/A
	N_2O	5.21	*N/A

* The corresponding figures are not available in 2018.

Scope 2 – Electricity purchased from power companies

Apart from the direct emissions of PM and fumes, we have also incurred indirect GHG emissions – Scope 2, principally resulting from electricity consumed at the rented head office. In respect to the approximate indirect amount of CO2 generated from our electrical usage, the figures are shown in the table below:

Table 5: GHG emission – Scope 2 – Electricity purchased from power companies

Region	2019 Volume (Tonnes)	2018 Volume (Tonnes)
Hong Kong	87.88	85.04

The electricity consumption for 2019 has increased slightly. A sense of urgency in minimizing the use of electricity has been developed in the Group's culture through the staff training. More progress is anticipated to be made in coming years.

Scope 3 – Electricity used for fresh water processing and stewage

Table 6: GHG emissions – Scope 3 – Other indirect emissions

Region	Types of GHG emissions	2019 Volume	2018 Volume
Hong Kong	Electricity for processing water and stewage	0.36	0.03
	Business air travel by employees	0	4.41

During the Reporting Period, the Group was not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of operations and vehicle usage.

Non-hazardous solid waste emissions

For the provision of fit-out services, the Group has produced non-hazardous waste during the operations. The emissions figures are as follows:

Table 6: Non-hazardous solid waste emissions

Non-hazardous solid waste	2019 Volume (Tonnes)	2018 Volume (Tonnes)	2019 intensity per no. of projects (Tonnes)
Mixed C&D waste	110	100	0.21

According to the figures above, the emissions for mixed C&D waste in 2019 has increased slightly which is aligned to the increase of the engaged projects.

Use of Resources

The major resources used by the Group are electricity and water consumed at the head office, branches and project sites. The Group records and analyzes the monthly consumption rate of electricity and water regularly. As the Group focuses on the provision of interior design and fit-out services in Hong Kong, the usage of electricity and water for its operation is minimal. Despite that, the Group places a great emphasis on monitoring the electricity and water consumption to maintain the efficient use of resources.

The total water consumption in cubic meters by region is shown in the table below:

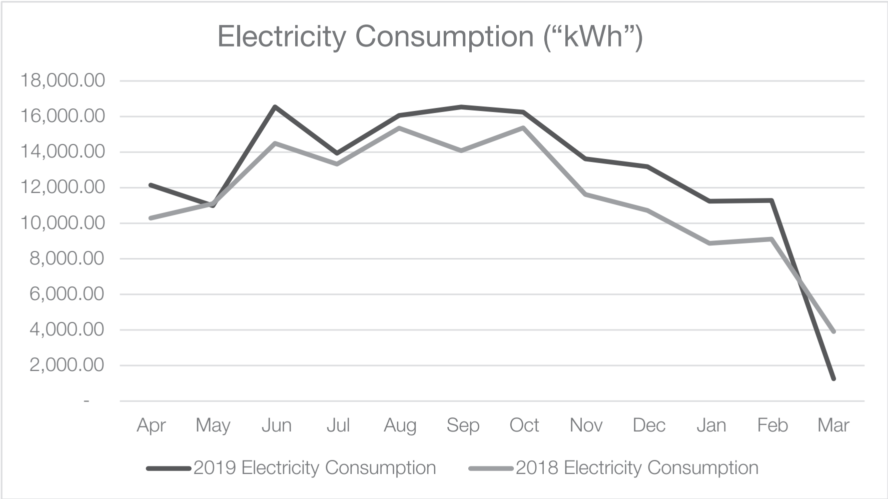
Table 7: Water consumption

Region	2019 Water consumption (cubic metres)	2018 Water consumption (cubic metres)	2019 Intensity of water consujption per no. of project (cubic metres)
Hong Kong	600	58	1

Although the water consumption in 2019 has risen comparing to 2018, the total water consumption still remains at a reasonably low level since there are some site metres of certain projects are borne by the Group in 2019. The Group will continue to monitor the figures closely and prevent any unnecessary water usage.

The Group determines to maximize energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Traditional fluorescent tubes have been replaced with energy efficient LED light strips to save power. To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. From the graph below, the electricity consumption, in general, is having a decreasing trend during the Reporting Period. The Group targets to remain the tight control on it and achieve sustainable development.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The monthly electricity consumption in kilowatt hour ("**kWh**") is shown below:



The total electricity consumption in cubic meters by region is shown in the table below:

Table 8: Electricity consumption

Region	2019 Electricity consumption (kWh)	2018 Electricity consumption (kWh)	2019 Intensity per no. of projects (kWh)
Hong Kong	153,032	138,224	295.42

The electricity consumption in 2019 has increased for approximately 11%, comparing to last financial year. This is in line with the increase in total revenue of the Group as more interior design works have been performed.

The Environment and Natural Resources

The Group has set up an environmental system management task force as part of its effort to develop an environmental management system that supports sustainable development, and has obtained ISO 14001 certification for environmental management system.

By the implementation of ISO 14001 Environmental Management System, the Group has given careful consideration to minimize all significant impact on the environment resources.

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits.

As the Group is principally engaged in construction in Hong Kong, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is approximately 2.7: 1 (2018: 2.8: 1). However, the Group treats all employees equally. The Group prohibits any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. The above measures have helped ensuring that every employee is treated equally and fairly.

A formal induction together with a tour of the workplace is provided to all employees on the first day of employment. The aim is to welcome the new employees and give them a better understanding of the Group. A brief introduction of employee handbook is provided to ensure new employees are aware of relevant policies and code of conduct. The Group also strives to establish harmonious labour relationships and create a happy working environment, promote a positive and healthy lifestyle, and lift the spirit of a stressful local workforce through various activities, including organizing the birthday parties, football/basketball/badminton games, barbeque and other outing events. These recreational activities not only provide chances for breaking barriers between each other, but also enhancing mutual understanding and trust.

On the other hand, the Group has always strictly observed the relevant legislations in Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the"Employees' Compensation Ordinance" in Hong Kong. The Group also strives to establish harmonious labour relationships. We protect the rights of staff in terms of providing rest and leave days according to relevant labour laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices.

Employment KPIs (Employee)

Table 9: Number of employees

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	2019 Ratio of number of male to female employees	2018 Ratio of number of male to female employees
Male	14	11	7	32	44	2.7: 1	2.8: 1
Female	9	2	1	12			
Total	23	13	8	44			

Table 10: Employee recruit

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	2019 Total number of new recruits	2018 Total number of new recruits
Male	7	0	0	7	13	38
Female	5	1	0	6		
Total	12	1	0	13		

Table 11: Employee turnover

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	2019 Ratio of employee turnover to total number of employees	2018 Ratio of employee turnover to total number of employees
Male	0	0	0	0	1	2%	56%
Female	1	0	0	1			
Total	1	0	0	1			

Health and Safety

The Group recognizes safety and health at work as an integral part of its business performance. The Group has established the Occupational Health and Safety ("**OHS**") Manual which is prepared in accordance with OHSAS 18001 to manage the health and safety risks of its operations.

The Group strictly requires employees to comply with the safety policy and guidelines in the OHS Management System which is included in the Employee Handbook for on-site construction teams and employees working in offices, both of which clearly specify work flows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at our workplace.

The Group has established a risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits.

Employees receive "site specific induction training" soon after commencing work in the workplace. Thereafter, they are given refresher talks at intervals of six months depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employee awareness of workplace hazards and OSHA regulations.

Daily operations are inspected by relevant department assigned by the Group, against the established risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

Thus, it is a proof of guaranteeing the establishment of a healthy, safe and stable working environment effectively.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of work accidents and injuries during the Reporting Period was nil (2018: nil).

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Table 12: Number of work injuries

Number of work injuries	Rate of work injury (per thousand employees)
Nil	Nil

Development and Trainings

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. During the year, we formulate quality management and environment management training programs to update our staff with the most updated standard of ISO 9001 and ISO 14001, in order to maintain the highest standard of professionalism by our employees. These two programs include quality assurance training in production process, inspection assurance of materials received from supplier, health and safety precautions in using production equipment and machinery as well as customer relationship management.

In daily operation, the Group provides induction training for new employees and experienced employees act as mentors to guide new comers. We believe such arrangement can be the best practice to facilitate communication and team spirit, also improve technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which we believe that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

Table 13: Training and Development KPIs (Employee)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	2019 Overall percentage of employees receiving training	2018 Overall percentage of employees receiving training
Male	1	6	16	72%	66%	86%
Female	0	1	5	50%		
Total	1	7	21			

Average training hours	Senior managerial level	Managerial level	General staff	Average training hours by gender	2019 Overall average training hours	2018 Overall average training hours
Male	4 hours	12 hours	9.6 hours	10.1 hours	11.1 hours	17.8 hours
Female	0 hour	4 hours	14.5 hours	13.7 hours		

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance in Hong Kong. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations. The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Supply Chain Management

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers. Suppliers are chosen subjecting to screening and evaluation procedures among the suppliers, based on the quality and price. Also, to ensure supplier capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which includes a comprehensive quality management system and are accredited with ISO 9001, ISO 14001, OHSAS 18001 standards. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the supplier selection by the Group. The Group also carries out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

As customers are becoming more concerned about environmental issues, and stress the importance of using environmentally friendly materials. The Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers.

Each sub-contractor and supplier are reviewed at least once every year or after completion of their contracts. In cases of major non-performance of an approved sub-contractor or supplier, the Group will review their suitability to remain on the approved list.

Product Responsibility

The Group is committed to providing high-quality services and guarantees that the quality of our projects is in line with quality standards and sustainability requirements. We also pursue to meet higher criteria all the time. The Group has always been focusing on quality control and customer satisfaction in project construction since its incorporation. The Group treasures the customer's perception to our service, and considers it as an important essence of our performance. We used to employ different method, to explore our customers' expectation and obtain their feedbacks.

The Group designers will collect all the information of customer's requirement and expectation at the preliminary meeting, for the interior design development and associated works. The Project Designer will closely communicate with the customer at the project design and site work stage. The Project Designer will respond effectively to the customers for their subsequent instructions, in order to meet the customer's requirement effectively.

Besides, the Group also sets up a customer service ("**CS**") section, with assigned staff to take care of the potential, existing and ex-customer. The CS section is an independent section which is headed by the Director, who will have adequate authority to make decision for problem solving. The duties of CS section cover the enquiry of potential customer, complaint of third parties, such as neighbours of the project site, customer survey for existing and completed projects.

In addition, the Group has also set up a communication networking platform to build up connection with clients and the public to gather all the enquiries and customer views. Useful information can be broadcasted to any interested parties in relation to the interior design and contracting work updates.

On the other hand, the Group has also established the hotline and email enquiry facilities at the website, which are manned by trained CS staff. Apart from taking care of the existing customers, the CS staff also handle the enquiry or call-in from interested parties. In addition, the CS staff will carry out survey with customers to collect their opinion to the Group's service, and the extent of their satisfaction regarding to the performance. The collected information will be recorded and analysed, to seek for improvement opportunity.

Whenever there is any complaint from customers, the Group takes the legitimate complaints as learning lessons and opportunities to demonstrate the responsibility and commitment to quality service. Nevertheless, the Company takes a fair attitude to both the complaining party and internal staff. Investigation is initiated by the senior management for the cause of the complaint. Administrative manager shall then determine the legitimacy of the complaint, and proceed with the appropriate follow up action. The Group aims at rectifying all the shortfalls and turning the customer's disappointment into satisfaction by proper handling customer's complaint.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Company's senior management relating to any misconduct and dishonest behavior, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees' handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, we have complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Community Investment

The Group devotes to the community in order to show the love and care for people in need and encourages the employees to participate in in-house or external community activities. During the Reporting Period, the Group had formed a voluntary team to offer free maintenance/repairing service for the household or peoples in need, particularly the elderly, children and handicapped. The team consists of 20 peoples, with participation of interior designers, skillful workers of different trade, such as carpentry, wood works, painting, plastering, etc.

In addition, the Group always encourages the employees to participate in blood donation and organ donation, and regularly organizes company-wise campaigns for such activities including joining the Organ Donation Promotion Charter with Department of Health and becoming the partner and signatory of the charter.

Moreover, the Group gathers all the used furniture from customers prior to commencement of fitting out works where most of them are still being maintained at a good condition. A designated team notes the basic information of these furniture and make a post to the Facebook page of the Group. Whenever there is someone in need, the Group will distribute for free.

The Group will continue to explore other means to contribute more to the environment and strive to facilitate the building of a healthy and sustainable society.

ENVIRONMENTAL PERFORMANCE INDICATORS

Emissions

Aspect A1: Emissions

Performance indicator		2018/19 Data	2017/18 Data	HKEx ESG Reporting Guide KPI
Emission	Total nitrogen oxides (NO_X) emission (tonnes)	0.07	0.06	KPI A1.1
	Total sulphur oxides (SO_X) emission (tonnes)	0.0003	0.0003	KPI A1.1
	Total particulate generated (tonnes)	0.005	0.004	KPI A1.1
	Total GHGs emission (tonnes)	141.57	*N/A	KPI A1.2
Non-hazardous waste	Mixed C&D waste (tonnes)	110	100	KPI A1.4

* The company figure are not available in 2018.

Aspect A2: Use of resources

Performance indicator		2018/19 Data	2017/18 Data	HKEx ESG Reporting Guide KPI
Electricity	Total electricity consumption (kWh)	153,032	138,224	KPI A2.1
Water	Total water consumption (cubic meter)	600	58	KPI A2.2

Social

Aspect B1: Employees

Performance indicator		**2018/19 Data**	**2017/18 Data**	**HKEx ESG Reporting Guide KPI**
Number of employees	Gender:			KPI B1.1
	– Male employees (per person)	32	48	
	– Female employees (per person)	12	15	
	Age			KPI B1.1
	– Below 30 years old	23	35	
	– Between 30 to 50 years old	13	19	
	– Over 50 years old	8	9	
	Region			KPI B1.1
	– Hong Kong	44	63	
Employee recruit	Gender			KPI B1.1
	– Male employee (per person)	7	25	
	– Female employee (per person)	6	13	
Employee turnover	Gender			KPI B1.2
	– Male employees (per person)	0	18	
	– Female (per person)	1	17	
	Age			KPI B1.2
	– Below 30 years old	1	15	
	– Between 30 to 50 years old	0	0	
	– Over 50 years old	0	20	

Aspect B2: Health and safety

Performance indicator	**2018/19 Data**	**2017/18 Data**	**HKEx ESG Reporting Guide KPI**
Number of work injuries (per person)	0	0	KPI B2.1
Rate of work injury (per thousand employees)	0	0	KPI B2.1

Aspect B3: Development and training

Performance indicator		2018/19 Data	2017/18 Data	HKEx ESG Reporting Guide KPI
The percentage of employees trained	Percentage of employees receiving training by gender			KPI B3.1
	– Male employees (percentage)	72%	85%	
	– Female employees (percentage)	50%	87%	
Average training hours completed per employee	Average training hours by gender			KPI B3.2
	– Male employees (hours)	10.1	21.5	
	– Female employees (hours)	13.7	18.6	

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. Chan Lai Sin (陳禮善) ("Mr. Chan"), aged 54, is the founder of the Group. He is responsible for the overall strategic management and development of the Group's business operations. Mr. Chan was appointed to the Board and designated as an executive Director and the Chairman of the Company on 6 May 2016.

Mr. Chan has over 21 years of experience in the interior design and furnishing industry. Prior to founding the Group, Mr. Chan began working as a clerk in MTR Corporation Limited from August 1981 to October 1982 and later joined the Hong Kong Police Force (formerly the Royal Hong Kong Police Force) as a policeman from June 1983 to November 1987. Mr. Chan joined Bellok Company Limited (also known as Chung Ngai Furniture Factory（中藝傢俬廠）) as a sales representative in May 1988 and left in July 1996 with his last position held as sales manager. He later founded the Group in August 1996.

Further, Mr. Chan was awarded as one of "2012-2013 Top 10 Most Influential Interior Designers (Residential)（2012-2013年度十大最具影響力設計師（住宅空間類））" at "The 8th China International Architectural Decoration and Design Art Fair（第八屆中國國際建築裝飾及設計博覽會）" in China.

Mr. Chan received his bachelor degree of general studies and master degree of business administration from The Open University of Hong Kong in June 2011 and November 2015 respectively. He is currently the chairman of Hong Kong Famous Designers Association.

Mr. Hung Lap Ka (洪立家) ("Mr. Hung"), aged 31, was appointed as an executive Director on 6 May 2016. Mr. Hung is responsible for the day-to-day management and operation of the Group and is mainly in charge of human resources of the Group, namely the coordination and management of employees, maximising employee performance through the supervision of internal business operations and dealing with employee performance issues, and recruiting and training interior design and fit-out talent to support the development of the Group.

Mr. Hung has over 7 years of experience in human resource management in the interior design and fit-out industry. Mr. Hung joined the Group as human resources officer in October 2010 and was later promoted to human resources manager in January 2013. He was responsible for supporting human resources and office administrative functions, including but not limited to staff recruitment as well as staff training and development. Mr. Hung worked as an entertainment news reporter in Television Broadcasts Limited (stock code: 0511), a company listed on the Main Board of Stock Exchange, from May 2009 to November 2009, where he was mainly responsible for television programmes' script writing and interviews.

Mr. Hung received his bachelor degree of business administration (honours) in human resources management from the City University of Hong Kong in July 2009. He has also been a professional member of the Hong Kong Institute of Human Resource Management since April 2015, a professional body of human resource management professionals and human resource advisory institute in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Ngai Kit (關毅傑) ("Mr. Kwan"), aged 39, was appointed as the independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company on 24 March 2017. Mr. Kwan is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis.

Mr. Kwan was the executive director, the chief financial officer and company secretary of Vision Fame International Holding Limited (stock code: 1315), a company listed on the Main Board of the Stock Exchange from June 2014 to October 2016. He was mainly responsible for matters relating to corporate finance, mergers and acquisitions, corporate governance as well as finance and accounting management. Mr. Kwan has served as the chief financial officer and company secretary of Modern Dental Group Limited (stock code: 3600) since October 2016. He has been appointed as an independent non-executive Director of Rare Earth Magnesium Technology Group Holdings Limited (formerly known as Group Sense (International) Limited) (stock code: 601) since June 2016, Leyou Technologies Holdings Limited (stock code: 1089) since September 2017 and A & S Group (Holdings) Limited (stock code: 1737) since February 2018.

Mr. Kwan has over 11 years of experience in auditing, accounting and corporate management. Prior to joining Vision Fame International Holding Limited, he was employed by Ernst & Young worked until March 2014 with his last position held as senior manager in the assurance department.

Mr. Kwan has been a member of the Hong Kong Institute of Certified Public Accountants since February 2010 and a member and a fellow member of the Association of Chartered Certified Accountants since September 2008 and September 2013, respectively.

Mr. Kwan received his bachelor degree of arts in accountancy from The Hong Kong Polytechnic University in November 2002 and completed a part-time master degree of business administration from The Chinese University of Hong Kong in November 2014.

Ms. Lui Lai Chun (呂麗珍) ("Ms. Lui"), aged 36, was appointed as the independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company on 24 March 2017. Ms. Lui is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group and reviewing the financial information of the Group on a regular basis.

Ms. Lui worked for Katon CPA Limited as an audit assistant from October 2006 to February 2008. She was employed by HLB Hodgson Impey Cheng in March 2008 and worked until June 2011 with her last position held as senior accountant. She joined Real Gold Mining Limited (stock code: 246), a company listed on the Main Board of the Stock Exchange, since October 2011 with her last position held as accounting manager and was further appointed as company secretary with effect from December 2016. Ms. Lui currently holds the position of company secretary and accounting manager of Real Gold Mining Limited.

Ms. Lui obtained her bachelor degree of commerce in accountancy and applied finance from Griffith University, Australia in September 2005. She has been a member of Certified Public Accountants of Australia since February 2014 and a member of The Hong Kong Institute of Certified Public Accountants since March 2015.

Mr. Wu Loong Cheong Paul (吳龍昌) ("Mr. Wu"), aged 55, was appointed as the independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company on 24 March 2017. Mr. Wu is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis.

Mr. Wu worked for Nortel Networks as a member of scientific staff, senior software engineer, software development and sustaining team leader and product design support manager from 1989 to 2001. He then joined UTStarcom Incorporation in February 2002 and worked until October 2007, with his last position held as senior manager and deputy director of common software engineering department. Since September 2008, Mr. Wu has been the principal of Ascent Partners Valuation Service Limited and Director of Ascent Partners Technologies Limited. Mr. Wu spearheads the business valuation and technology division to formulate marketing strategies, business development and operating plans, as well as establish and institutionalise business practices, standards and processes for the effectiveness and efficiency across the global operations of the Group. He provides solutions and consultancy services to financial institutions and corporate clients in financial products and operations.

Mr. Wu obtained a bachelor degree of science and a master degree of science from Simon Fraser University, Canada in June 1986 and in June 1989, respectively. He has been a certified member of Certified Management Accountants (Australia) since December 2013, a Chartered Valuer and Appraiser (CVA) since February 2018.

SENIOR MANAGEMENT

Mr. Siu Ka Sing (蕭嘉星) (“Mr. Siu”), aged 38, was appointed as chief executive officer of the Company in 24 March 2017. Mr. Siu initially joined the Group as an account officer in May 2004 and was promoted to administrative manager in January 2009. Mr. Siu is responsible for overseeing general operations and devising business strategies.

Mr. Siu has over 14 years of experience in administrative related matters. Before joining the Group, Mr. Siu had worked in Great Expect Development Limited as an accounting clerk from April 2002 to May 2004.

Mr. Siu obtained his business studies diploma from Hong Kong Young Women’s Christian Association (Professional and Career Youth Department) in July 1999 and a diploma in accounting studies from Hong Kong School of Commerce in June 2001. Mr. Siu has been a Hong Kong accounting technician of The Hong Kong Institute of Accredited Accounting Technicians (formerly known as The Hong Kong Association of Accounting Technicians) since December 2002.

Mr. Tang Fok Bor (鄧福波) (“Mr. Tang”), aged 55, was appointed as engineering manager of the Group in 24 March 2017. Mr. Tang is primarily responsible for overseeing the engineering works of the projects. Mr. Tang joined the Group as a painting worker in October 2002 and was later promoted to project manager in April 2010.

Mr. Tang has over 36 years of experience in overseeing engineering works. Prior to joining the Group, he had worked as project manager in Hongyun Construction Engineering Company (鴻運建築工程) from 1981 to 1984 and Yaorong Construction Engineering Company (耀榮建築工程) from 1984 to 1986. He joined Xingyun Construction Engineering Company (星運建築工程) as project manager in 1986 and later joined Dawei Decoration Engineering Limited (大衛裝飾工程) as project manager in 2002.

Mr. Tang completed his secondary education from Guangdong Kaiping No. 8 High School in July 1980.

Ms. Wan Pui Chi (溫佩芝) (“Ms. Wan”), aged 36, was appointed as human resources manager of the Group in 24 March 2017.

She joined the Group in October 2004 as administrative officer and was promoted to administrative manager in January 2009. Ms. Wan has since accumulated over 13 years of experience in administrative related matters. Ms. Wan is primarily responsible for human resources management including but not limited to recruitment, selection, interviewing process and execution of human resources polices.

Ms. Wan completed her secondary education from Delia Memorial School (Glee Path) in June 2003.

COMPANY SECRETARY

Ms. Ng Hoi Ying (吳愷盈) ("Ms. Ng"), aged 32, was appointed as the company secretary of the Company on 1 March 2019. She obtained a degree of Bachelor of Business Administration in Accountancy from The Hong Kong Polytechnic University in 2008. She is currently a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ng has over 10 years of experience in auditing, accounting and financial reporting. She worked as a senior auditor of Deloitte Touche Tohmatsu. Subsequently Ms. Ng worked as senior accountant in Asia Maritime Pacific (Hong Kong) Limited, a private company engaged in fleet operation of both owned and chartered-in Handy-size and mini-MPP vessels, which operate internationally in China, West Africa, Australia, South America and intra-Asia. She was the finance manager of Ngai Shun Construction & Drilling Company Limited which is a piling contractor for both private and public works in Hong Kong. Its holding company (Boill Healthcare Holdings Limited, formerly known as Ngai Shun Holdings Limited) has been listed on the Main Board of the Stock Exchange (stock code: 1246) in October 2013. Ms. Ng is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, whom provides the Group's customers with creative and innovative designs that synergise with the latest market and design trends, to high quality fittings and furnishings and the implementation of the Group's designs performed by the subcontractors that the Group relies on to complete the projects. Details of the principal activities of the principal subsidiaries of the Company are set out in note 14 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 46 of the annual report.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 March 2019 are set out in the consolidated financial statements from pages 51 to 100 of this report. The Directors do not recommend the payment of final dividend for the year ended 31 March 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 30 August 2019 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 August 2019 to Friday, 30 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell centre, 183 Queen's Road East, Hong Kong with effect from Thursday, 11 July 2019), for registration not later than 4:30 p.m. on Monday, 26 August 2019.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2019 and a discussion of the Group's future business development and a description of principal risks and uncertainties facing the Company are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the year ended 31 March 2019 using financial key performance indicators is set out in the Group's five-year Financial Summary on page 46 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2019 are set out in note 15 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2019 amounted to approximately HK$230,400 (2018: HK$100,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted on 24 March 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to the Prospectus.

Save as disclosed in note 24 to the consolidated financial statements, for the year ended 31 March 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

PRE-EMPTIVE RIGHTS

There are no provision of pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 March 2019 and as at the latest practicable date prior to the issue of this report, the Company maintained sufficient public float of 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2019 are set out in note 34(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 54.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders comprised contribution surplus and retained profit, if any. The Company had no reserves available for distribution as at 31 March 2019.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2019, revenue to the Group's five largest customers accounted for approximately 8.4% of the total revenue for the year and revenue to the largest customer included therein amounted to approximately 3.1%. Subcontracting charges and materials costs incurred from the Group's five largest subcontractors and suppliers accounted for approximately 58.0% of the total sub-contracting charges and material costs for the year and the subcontracting charges and materials costs incurred from the largest subcontractor included therein amounted to approximately 18.3%.

None of the Directors of the Company, or any of his close associates or shareholders (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 Group's five largest customers, subcontractors or suppliers.

DIRECTORS

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

Executive Directors
Mr. Chan Lai Sin *(Chairman)*
Mr. Gan Jianjun (resigned on 30 August 2018)
Mr. Hung Lap Ka
Ms. So Hiu Bik (resigned on 1 June 2018)

Independent Non-Executive Directors
Mr. Kwan Ngai Kit
Ms. Lui Lai Chun
Mr. Wu Loong Cheong Paul

In accordance with the Company's articles of association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 25 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year ended 31 March 2019.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 31 March 2019 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2019, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions), or which are required, pursuant to section 352 of the SFO, to be entered in the registered referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of GEM Listing Rules, are as follows:

Long positions in the ordinary shares and underlying shares of the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of shares held/interest	Approximate percentage of shareholding
Mr. Chan (Note)	Interest in a controlled corporation	408,370,000	51.05%

Note: Mr. Chan legally and beneficially owns the entire issued share capital of Chun Wah Limited ("**Chun Wah**"). Therefore, Mr. Chan is deemed, or taken to be, interested in all the shares held by Chun Wah for the purpose of the SFO. Mr. Chan is the sole director of Chun Wah.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executives of the Company, as at 31 March 2019, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying share of the Company

Name	Capacity/Nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Chun Wah	Beneficial owner	408,370,000	51.05%
Ms. Wong Ting Nuen *(Note)*	Interest of spouse	408,370,000	51.05%
Ms. Cai Hui Ting	Beneficial owner	84,230,000	10.53%
Mr. Sun Xincai	Beneficial owner	44,000,000	5.50%

Note: Ms. Wong Ting Nuen ("**Ms. Wong**") is the spouse of Mr. Chan. Under the SFO, Ms. Wong is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

Save as disclosed above, as at 31 March 2019, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to rate in all circumstances at general meeting of the Company or any other member of the Group.

PERMITTED INDEMNITY PROVISION

Every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 March 2019.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders, namely Mr. Chan and Chun Wah (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition ("**Deed of Non-competition**") with the Company (for itself and for the benefit of each other member of the Group) on 24 March 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/her/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

During the year ended 31 March 2019, the Company had not received any information in writing from any of the controlling shareholders namely, Mr. Chan and Chun Wah (the "**Controlling Shareholders**") in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2019 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	3
HK$1,000,001 to up to HK$2,000,000	–
Above HK$2,000,000	–

EMOLUMENT POLICY

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to the Group.

The remuneration committee of the Company (the "**Remuneration Committee**") will meet at least once each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 2.16 to the consolidated financial statements.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 31 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

Save for the service agreements with the Company entered into with each of the Directors, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in note 31 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules. Save as disclosed in this report, there was no other transaction which would need to be disclosed as connected transactions in compliance with the disclosure requirements in Chapter 20 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance as a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 36 to 45 of this annual report.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Director annual written confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company for the year ended 31 March 2019 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company. The Company has not changed its external auditors in any of the preceding three years.

On behalf of the Board
Chan Lai Sin
Chairman and Executive Director

Hong Kong
24 June 2019

CORPORATE GOVERNANCE PRACTICES

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in the CG Code set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has fully complied with the CG Code throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Code of Conduct**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the year.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

Board Composition

The composition of the Board as at the date of this report is set out as follows:

Executive Directors

Mr. Chan Lai Sin *(Chairman)*
Mr. Hung Lap Ka

Independent non-executive Directors

Mr. Kwan Ngai Kit
Ms. Lui Lai Chun
Mr. Wu Loong Cheong Paul

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 25 to 28 of this annual report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05 (1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 6 May 2016 and the Company signed letters of appointment with each of the independent non-executive Directors on 24 March 2017.

The service contracts with the executive Directors and the letter of appointment with each of the independent non-executive Directors are for an initial fixed term of three years. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our memorandum and articles of association and the applicable GEM Listing Rules.

According to the Article 108 of the Company's articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the Company's articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Accordingly, each of Mr. Chan, Mr. Kwan and Mr. Wu will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 30 August 2019. Mr. Chan, Mr. Kwan and Mr. Wu will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Chan as executive Director, Mr. Kwan and Mr. Wu as independent non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Chan was the chairman of the Board throughout the year. Mr. Siu is the chief executive officer of the Company.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the memorandum and the articles of association of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 March 2019, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established three Board committees, namely, the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the audit committee (the "**Audit Committee**"), for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.dic.hk. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 24 March 2017. The chairman of the Remuneration Committee is Ms. Lui, our independent non-executive Director, and other members includes Mr. Chan, our executive Director, Mr. Kwan, and Mr. Wu, our independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2019. No Director or any of his or her associates is involved in deciding his or her own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 24 March 2017. The chairman of the Nomination Committee is Mr. Wu, our independent non-executive Director, and other members included Mr. Chan, our executive Director, Mr. Kwan and Ms. Lui, our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors of the Company. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria. The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report. In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

AUDIT COMMITTEE

The Audit Committee was established on 24 March 2017. The chairman of the Audit Committee is Mr. Kwan, our independent non-executive Director, and other members included Ms. Lui and Mr. Wu, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 March 2019, the Audit Committee, held four meetings to review and comment on the Company's 2018 annual results, 2018 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other executive Directors.

Details of all Directors' attendance at the Board meeting, Board committees' meeting held during the year are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
			Number of Meetings Attended/Held		
Executive Directors					
Mr. Chan Lai Sin	7/7		1/1	2/2	1/1
Mr. Gan Jianjun* (Note 1)	–				–
Mr. Hung Lap Ka	7/7				1/1
Ms. So Hiu Bik (Note 2)	–				–
Independent non-executive Directors					
Mr. Kwan Ngai Kit	4/7	2/4	1/1	2/2	1/1
Ms. Lui Lai Chun	6/7	4/4	1/1	2/2	1/1
Mr. Wu Loong Cheong Paul	6/7	4/4	1/1	2/2	1/1

Note 1: Mr. Gan resigned on 30 August 2018.

Note 2: Ms. So resigned on 1 June 2018.

COMPANY SECRETARY

The company secretary of the Company (the **"Company Secretary"**) assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Ng as the Company Secretary. Ms. Ng possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Chan, an executive Director of the Company is the primary contact person who Ms. Ng contacts.

During the year ended 31 March 2019, Ms. Ng that she had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules. The biographies of Ms. Ng is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia: –

- the Company and its subsidiaries' (collectively, the "**Group**") actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;

- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

INDEPENDENT AUDITORS' REMUNERATION

The Company has engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2019 until the conclusion of the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 March 2019, the fee paid/payable to HLB Hodgson Impey Cheng Limited in respect of its services relating to the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2019 was approximately HK$600,000. HLB Hodgson Impey Cheng Limited did not perform any non-audit services during the year ended 31 March 2019.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard the shareholders' interest and rights is to separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

INTERNAL CONTROLS AND RISK ASSESSMENT

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2019 as required under Code Provision C.2.5. The Audit Committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the consolidated financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The audit committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a Policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- Controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- Procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Hong Kong Exchanges and Clearing Limited's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.dic.hk;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year, there was no change in the Company's memorandum and articles of association.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**133,177**	121,840	131,637	118,348	101,878
Gross Profit	**33,303**	31,987	36,770	35,142	30,939
(Loss)/profit before income tax	**(2,992)**	488	5,315	11,575	14,052
(Loss)/profit and total comprehensive (expense)/income for the year	**(2,865)**	315	2,994	9,192	11,944

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**77,884**	72,918	37,831	36,453	33,822
Total liabilities	**29,857**	21,987	33,634	19,250	25,811
Total equity and liabilities	**77,884**	72,918	37,831	36,453	33,822

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

TO THE SHAREHOLDERS OF LAI GROUP HOLDING COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lai Group Holding Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 100, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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 Matter	How our audit addressed the Key Audit Matter
Recognition of revenue and costs from construction contracts and contract assets	
Refer to details in Notes 5 and 17 and the accounting policies in Note 2.18 to the consolidated financial statements.	
We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management. • Obtaining an understanding from management about how the budgets were prepared and respective progress towards completion of construction works were determined. • Evaluating the reasonableness of progress towards completion of construction works by obtaining and reviewing invoices issued by suppliers and subcontractors. • Testing the actual costs incurred on construction works. • Assessing the reliability of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Assessing the appropriateness and accuracy of the disclosures made in the consolidated financial statements.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	133,177	121,840
Direct costs		(99,874)	(89,853)
Gross profit		33,303	31,987
Other income and gain	5	214	117
Administrative and other operating expenses		(36,431)	(31,511)
Operating (loss)/profit	6	(2,914)	593
Finance costs	9	(78)	(105)
(Loss)/profit before income tax		(2,992)	488
Income tax credit/(expense)	10	127	(173)
(Loss)/profit and total comprehensive (expense)/income for the year		(2,865)	315
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(2,990)	149
Non-controlling interests		125	166
		(2,865)	315
(Loss)/earnings per share attributable to owners of the Company			
– Basic and diluted (loss)/earnings per share (HK cent)	11	(0.37)	0.02

Details of dividends are disclosed in Note 12 to the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	12,748	13,132
Deferred tax assets	29	232	89
		12,980	13,221
Current assets			
Contract assets	17	568	–
Gross amounts due from customers for contract work	18	–	810
Trade and other receivables	19	8,985	7,468
Amount due from a director	20	96	1,095
Current income tax recoverable		2,149	1,646
Cash and bank balances	21	53,106	48,678
		64,904	59,697
Total assets		77,884	72,918
EQUITY			
Capital and reserves			
Share capital	22	8,000	8,000
Reserves	23	39,306	42,335
Equity attributable to:			
Owners of the Company		47,306	50,335
Non-controlling interests		721	596
Total equity		48,027	50,931
LIABILITIES			
Current liabilities			
Contract liabilities	17	17,940	–
Gross amounts due to customers for contract work	18	–	7,433
Trade and other payables	25	9,154	12,566
Amount due to a related company	26	8	8
Provision for warranties	27	1,229	537
Finance lease liabilities	28	596	352
		28,927	20,896

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Finance lease liabilities	28	**775**	916
Deferred tax liabilities	29	**155**	175
		930	1,091
Total liabilities		**29,857**	21,987
Total equity and liabilities		**77,884**	72,918
Net current assets		**35,977**	38,801
Total assets less current liabilities		**48,957**	52,022

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

Mr. Chan Lai Sin
Director

Mr. Hung Lap Ka
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 2019

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 22)	Share premium HK$'000 (Note 23)	Other reserve HK$'000 (Note 23)	Retained earnings HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 April 2017	6,000	–	(5,899)	3,666	3,767	430	4,197
Issue of new shares	2,000	50,000	–	–	52,000	–	52,000
Share issue expense	–	(5,581)	–	–	(5,581)	–	(5,581)
Profit and total comprehensive income for the year	–	–	–	149	149	166	315
Balance as at 31 March 2018	8,000	44,419	(5,899)	3,815	50,335	596	50,931
Balance as at 31 March 2018	8,000	44,419	(5,899)	3,815	50,335	596	50,931
Effect on initial application of HKFRS 9	–	–	–	(39)	(39)	–	(39)
Balance as at 1 April 2018	8,000	44,419	(5,899)	3,776	50,296	596	50,892
Loss and total comprehensive expense for the year	–	–	–	(2,990)	(2,990)	125	(2,865)
Balance as at 31 March 2019	8,000	44,419	(5,899)	786	47,306	721	48,027

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(2,992)	488
Adjustments for:			
Depreciation		1,374	1,170
Interest expense		78	105
Gain on disposal of property, plant and equipment		–	(14)
Net impairment losses on financial assets and contract assets		128	–
Provision for warranties		1,766	436
Reversal of unutilised warranties		(250)	(29)
Interest income		(118)	(102)
Operating (loss)/profit before changes in working capital		(14)	2,054
Decrease in contract assets		241	–
Increase in gross amounts due from customers for contract work		–	(191)
Increase in trade and other receivables		(1,691)	(642)
Decrease in amount due from a director		1,029	4,796
Increase in contract liabilities		6,774	–
Decrease in gross amounts due to customers for contract work		–	(1,232)
Increase/(decrease) in trade and other payables		321	(10,325)
Decrease in provision for warranties		(824)	(492)
Cash generated from/(used in) operations		5,836	(6,032)
Interest received		118	102
Tax paid		(578)	(2,328)
Tax refunded		47	–
Net cash generated from/(used in) operating activities		5,423	(8,258)
Cash flows from investing activities			
Purchases of property, plant and equipment		(322)	(615)
Proceeds from disposal of property, plant and equipment		–	14
Net cash used in investing activities		(322)	(601)
Cash flows from financing activities			
Proceeds from issue of shares		–	52,000
Share issue expenses		–	(5,581)
Interest paid		(78)	(105)
Repayment of finance lease liabilities		(595)	(881)
Net cash (used in)/generated from financing activities		(673)	45,433
Net increase in cash and cash equivalents		4,428	36,574
Cash and cash equivalents at beginning of year		48,678	12,104
Cash and cash equivalents at end of year	21	53,106	48,678

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

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Lai Group Holding Company Limited (the "**Company**") was incorporated in the Cayman Islands on 17 February 2016 as an exempted company with limited liability. The shares of the Company have been listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 April 2017 (the "**Listing**"). Its parent and ultimate holding company is Chun Wah Limited ("**Chun Wah**"), a company incorporated in the Republic of Seychelles ("**Seychelles**") and owned as to 100% by Mr. Chan Lai Sin ("**Mr. Chan**"), the controlling shareholder, an executive director and the chairman of the Company.

The address of the registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Office H, 19/F, Phase 01, Kings Wing Plaza, 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong. The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are provision of interior design and fit-out services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

Compliance with HKFRS and disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**") and by the Hong Kong Companies Ordinance ("**HKCO**").

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
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 HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from provision of interior design and fit-out services which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 2.18 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 March 2018 HK$'000**	**Impact HK$'000**	**Carrying amounts under HKFRS 15 at 1 April 2018* HK$'000**
Contract assets	(a)	–	810	810
Gross amounts due from customers for contract work	(a)	810	(810)	–
Contract liabilities	(b)	–	11,166	11,166
Gross amounts due to customers for contract work	(b)	7,433	(7,433)	–
Trade and other payables	(b)	12,566	(3,733)	8,833

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 *Revenue from Contracts with Customers (continued)*

Summary of effects arising from initial application of HKFRS 15 (continued)

Notes:

(a) Amount of approximately HK$810,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from customers for contract work to contract assets.

(b) Contract liabilities recognised in relation to construction contracts were previously presented as gross amounts due to customers for contract work and deposits received from customers classified within trade and other payables.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Contract assets	568	(568)	–
Gross amounts due from customers for contract work	–	568	568
Contract liabilities	17,940	(17,940)	–
Gross amounts due to customers for contract work	–	14,352	14,352
Trade and other payables	9,154	3,588	12,742

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) and (b) above for describing the adjustments made to the consolidated statement of financial position at 1 April 2018 upon adoption of HKFRS 15.

The adoption of HKFRS 15 has no material impact to the consolidated statement of profit or loss and other comprehensive income and has no material impact to the net cash flows from operating, investing and financing activities on the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 2.8.

Summary of effects arising from initial application of HKFRS 9

<u>*Classification of financial assets and financial liabilities*</u>

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 *Financial Instruments (continued)*

Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under ECL Model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed by grouping the balances based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables, amount due from a director and cash and bank balances are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowances of approximately HK$47,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowances as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Contract assets HK$'000	**Trade receivables HK$'000**	**Other receivables HK$'000**
At 31 March 2018 – HKAS 39	–	–	–
Amount remeasured through opening retained earnings	7	39	1
At 1 April 2018 – HKFRS 9	7	39	1

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 April 2018.

	HK$'000
Retained earnings	
Recognition of impairment loss	(47)
Tax effect	8
Impact at 1 April 2018	(39)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the Group's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	31 March 2018 HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 April 2018 (Restated) HK$'000
Deferred tax assets	89	–	8	97
Contract assets	–	810	(7)	803
Gross amounts due from customers for contract work	810	(810)	–	–
Trade and other receivables	7,468	–	(40)	7,428
Contract liabilities	–	11,166	–	11,166
Gross amounts due to customers for contract work	7,433	(7,433)	–	–
Trade and other payables	12,566	(3,733)	–	8,833
Retained earnings	3,815	–	(39)	3,776

Note: For the purpose of reporting cash flows for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

The adoption of these standards has no impact on the net cash flows from operating, investing and financing activities on the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 3	Definition of a Business	(Note)
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

Note: Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised assets and related finance lease liabilities for finance lease arrangements where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$4,928,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases (continued)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

2.2 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiary are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.5 Foreign currency translation

Functional and presentation currency

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

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Land and building	Over lease term
Computer equipment	20%
Leasehold improvements	Over lease term or 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

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

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 and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

Accounting policies applied from 1 April 2018

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

Accounting policies applied from 1 April 2018 (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

Accounting policies applied from 1 April 2018 (continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied until 31 March 2018

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise "trade and other receivables excluding prepayments", "amount due from a director" and "cash and bank balances".

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is 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) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can 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 is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Gross amounts due from/to customers for contract work

Accounting policies applied until 31 March 2018

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within “trade and other receivables”.

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Amounts received before the related work is performed are included within “trade and other payables”.

2.10 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 19 for further information about the Group’s accounting for trade receivables and note 3.1 for a description of the Group’s impairment policies.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisating. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax (Continued)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.16 Employee benefits

Retirement benefits

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 Revenue recognition

Accounting policies applied from 1 April 2018

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (continued)

Accounting policies applied from 1 April 2018 (continued)

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

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

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

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

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

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

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (continued)

Accounting policies applied until 31 March 2018

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

Project for interior design and fit-out services income is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

Interest income is recognised on a time proportion basis by using the effective interest method.

2.19 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.20 Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Related parties (continued)

(b) the party is an entity where 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) the entity and the Group 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

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

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

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

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.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

2.21 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to cash flow interest rate risk arising from its borrowings as the Group's finance lease liabilities are at fixed interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group considers that the risk is insignificant.

(b) Credit risk

Credit risk arises mainly from contract assets, trade and other receivables, amount due from a director and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In respect of trade and other receivables and contract assets, individual and/or collective credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the ECL model upon application of HKFRS 9 (2018: incurred loss model) on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The loss allowance for trade and other receivables and contract assets were determined as follows:

	Weighted average expected credit loss rate	Gross carrying amount HK$'000	Expected credit loss HK$'000	Net carrying amount HK$'000
As at 31 March 2019				
Trade receivables	6.90%	971	67	904
Other receivables	1.54%	6,950	107	6,843
Contract assets	0.18%	569	1	568

The closing loss allowance for trade and other receivables and contract assets as at 31 March 2019 reconcile to the opening loss allowance are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK$'000	Other receivables 12-month ECL (not credit impaired) HK$'000	Contract assets Life-time ECL (not credit impaired) HK$'000
At 31 March 2018 – calculated under HKAS 39	–	–	–
Amount restated through opening retained earnings	39	1	7
Opening loss allowance at 1 April 2018 – calculated under HKFRS 9	39	1	7
Increase/(decrease) in loss allowance recognised in profit or loss during the year	28	106	(6)
At 31 March 2019	67	107	1

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings based on same risk characteristics. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group performs impairment assessment under the ECL model upon application of HKFRS 9 (2018: incurred loss model) on deposits and other receivables, amount due from a director and cash and bank balances. Except for those which had been determined as credit impaired, the ECL on these assets are based on 12-month ECL as there have been no significant increase in credit risk since initial recognition.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

As at 31 March 2019, 4 customers (2018: 4 customers) which individually contributed over 10% of the Group's aggregate trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to approximately 62% of the Group's total trade receivables and contract assets as at 31 March 2019 (2018: 67%).

Other than concentration of credit risk on liquid funds which are deposited with banks with sound credit ratings or good reputation as disclose above, the Group does not have any other significant concentration of credit risk.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
As at 31 March 2019				
Trade and other payables excluding non-financial liabilities	**9,154**	**–**	**–**	**9,154**
Amount due to a related company	**8**	**–**	**–**	**8**
Finance lease liabilities	**644**	**541**	**262**	**1,447**
	9,806	**541**	**262**	**10,609**
As at 31 March 2018				
Trade and other payables excluding non-financial liabilities	8,833	–	–	8,833
Amount due to a related company	8	–	–	8
Finance lease liabilities	405	397	577	1,379
	9,246	397	577	10,220

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity as at the end of each reporting period.

The gearing ratios of the Group are as follows:

	2019	2018
	HK$'000	HK$'000
Finance lease liabilities	**1,371**	1,268
Total equity	**48,027**	50,931
Gearing ratio	**2.9%**	2.5%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of financial assets and contract assets

Until 31 March 2018, management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Since 1 April 2018, the loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Construction contract

The Group recognises contract revenue and profit of a construction contract in relation to provision of interior design and fit-out services according to the management's estimation of the total outcome of the contract as well as the progress towards completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

5 REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

Revenue, other income and gain recognised during the reporting period are as follows:

	2019 **HK$'000**	2018 HK$'000
Revenue		
Residential interior design and fit-out services	**112,567**	106,735
Commercial interior design and fit-out services	**20,610**	14,359
Others	**–**	746
	133,177	121,840

	2019 **HK$'000**	2018 HK$'000
Other income and gain		
Gain on disposal of property, plant and equipment	**–**	14
Interest income	**118**	102
Others	**96**	1
	214	117

Disaggregation of revenue from contracts with customers

	2019 HK$'000
Timing of revenue recognition	
Over-time	133,177
Types of goods and services	
Interior design and fit-out services	133,177

5 REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION (CONTINUED)

Performance obligations for contracts with customers

The Group provides interior design and fit-out services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time using input method. The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

The chief operating decision maker has been identified as the board of directors. The board of directors regards the Group's business as a single operating segment. The information provided to the chief operating decision maker is the same as those described in these consolidated financial statements. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

As no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during the year ended 31 March 2019 (2018: Nil), no information about major customers is presented.

All of the transaction prices allocated to the remaining performance obligations are expected to be recognised within one year.

6 OPERATING (LOSS)/PROFIT

	2019 **HK$'000**	2018 HK$'000
Operating (loss)/profit has been arrived after charging:		
Employee benefits expense (Note)		
Salaries and other benefits in kind	**16,885**	19,188
Contributions to retirement benefit scheme	**601**	774
Total employee benefits expense, including directors' emoluments (Note 8)	**17,486**	19,962
Auditors' remuneration	**600**	540
Depreciation of property, plant and equipment	**1,374**	1,170
Listing expenses	**–**	281
Warranty expenses	**1,884**	407
Operating lease rental in respect of:		
– premises	**3,593**	2,678
– office equipment	**143**	134

Note: During the year ended 31 March 2019, employee benefits expense of approximately HK$7,320,000 (2018: HK$9,385,000) was included in direct costs and approximately HK$10,166,000 (2018: HK$10,577,000) was included in administrative and other operating expenses.

7 RETIREMENT BENEFITS PLANS

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the reporting period are set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive directors					
Mr. Chan	–	2,079	–	21	2,100
Mr. Gan Jianjun ("**Mr. Gan**") (Note (a))	–	123	–	–	123
Mr. Hung Lap Ka ("**Mr. Hung**")	–	342	–	17	359
Ms. So Hiu Bik ("**Ms. So**") (Note (b))	–	81	–	5	86
Independent non-executive directors					
Mr. Kwan Ngai Kit ("**Mr. Kwan**")	120	–	–	–	120
Ms. Lui Lai Chun ("**Ms. Lui**")	120	–	–	–	120
Mr. Wu Loong Cheong Paul ("**Mr. Wu**")	120	–	–	–	120
Chief executive officer					
Mr. Siu Ka Sing ("**Mr. Siu**")	–	757	–	18	775
	360	3,382	–	61	3,803

8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive directors					
Mr. Chan	–	2,061	–	21	2,082
Mr. Gan (Note (a))	–	90	–	–	90
Mr. Hung	–	341	–	17	358
Ms. So (Note (b))	–	488	–	18	506
Independent non-executive directors					
Mr. Kwan	116	–	–	–	116
Ms. Lui	116	–	–	–	116
Mr. Wu	116	–	–	–	116
Chief executive officer					
Mr. Siu	–	565	–	18	583
	348	3,545	–	74	3,967

During the year ended 31 March 2019, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil). Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2019 (2018: Nil).

Notes:

a) Mr. Gan was appointed as executive director of the Company on 13 December 2017 and resigned from his role as executive director effective from 30 August 2018.

b) Ms. So resigned from her role as executive director effective from 1 June 2018.

8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2018: two) of them are director and chief executive for the year ended 31 March 2019 whose emoluments are disclosed above. The emoluments in respect of the remaining three (2018: three) individuals for the year ended 31 March 2019 is as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits in kind	**1,598**	1,567
Contributions to retirement benefit scheme	**54**	54
	1,652	1,621

The emoluments of each of the above non-director and non-chief executive, highest paid individuals were below HK$1,000,000. During the year ended 31 March 2019, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2018: Nil).

9 FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest on finance leases	**78**	105

10 INCOME TAX (CREDIT)/EXPENSE

	2019 **HK$'000**	2018 HK$'000
Current income tax – Hong Kong Profits Tax	**37**	97
Adjustment in respect of prior years	**(9)**	(16)
Total current income tax	**28**	81
Deferred income tax	**(155)**	92
Income tax (credit)/expense	**(127)**	173

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2018.

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

10 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Accordingly, starting from the year ended 31 March 2019, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2019.

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	**(2,992)**	488
Calculated at a tax rate of 16.5%	**(494)**	81
Tax effects of:		
– Income not subject to tax	**(10)**	(25)
– Expenses not deductible for tax purposes	**99**	57
– Temporary differences previously not recognised	**(48)**	4
– Tax losses for which no deferred income tax asset was recognised	**410**	102
– Others	**(45)**	–
– Tax concession	**(30)**	(30)
– Adjustment in respect of prior years	**(9)**	(16)
Income tax (credit)/expense	**(127)**	173

11 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing:

- the (loss)/profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year

	2019 HK$'000	2018 HK$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company for the year	**(2,990)**	149

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**800,000**	793,973

11 (LOSS)/EARNINGS PER SHARE (CONTINUED)

The weighted average number of ordinary shares for the year ended 31 March 2019 was derived from 800,000,000 ordinary shares in issue by the Company.

The weighted average number of ordinary shares for the year ended 31 March 2018 was derived from 600,000,000 ordinary shares in issue and the effect of share offer (200,000,000 ordinary shares issued) by the Company.

The diluted loss/earnings per share is equal to the basic loss/earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

12 DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019 (2018: Nil), nor has any dividend been proposed since the end of the reporting period.

13 RECONCILIATION ARISING FROM FINANCING ACTIVITIES

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

	Finance lease liabilities 2019 HK$'000	Finance lease liabilities 2018 HK$'000
Balance at beginning of the year	**1,268**	750
Cash outflow:		
Repayment of finance leases	**(595)**	(881)
Non-cash transaction:		
New finance lease	**698**	1,399
Balance at end of the year	**1,371**	1,268

14 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 March 2019:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Equity interest held by the Company	Principal activities
Kingsky Group Limited	Seychelles	US$100	100% (direct)	Investment holding
Fame Protector Limited	Seychelles	US$100	100% (indirect)	Property and investment holding
Globe Sense Limited	Hong Kong	HK$1,000	100% (indirect)	Provision of interior design and fit-out services
Smart Will Engineering Limited	Hong Kong	HK$100,000	100% (indirect)	Provision of interior design and fit-out services
Best Famous Engineering Limited	Hong Kong	HK$100	100% (indirect)	Provision of interior design and fit-out services
New Base Enterprises Limited	Hong Kong	HK$100	75% (indirect)	Provision of interior design and fit-out services

15 PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Computer equipment HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000 (Note)	Total HK$'000
Cost							
As at 1 April 2017	10,320	2,371	979	628	601	1,772	16,671
Additions	–	137	28	20	–	1,829	2,014
Disposals	–	–	–	–	–	(122)	(122)
As at 31 March 2018	10,320	2,508	1,007	648	601	3,479	18,563
Accumulated depreciation							
As at 1 April 2017	189	1,926	571	332	502	863	4,383
Charge for the year	226	166	100	79	25	574	1,170
Disposals	–	–	–	–	–	(122)	(122)
As at 31 March 2018	415	2,092	671	411	527	1,315	5,431
Net book value							
As at 31 March 2018	9,905	416	336	237	74	2,164	13,132
Cost							
As at 1 April 2018	10,320	2,508	1,007	648	601	3,479	18,563
Additions	–	121	58	118	37	686	1,020
Disposals	–	–	–	–	–	(43)	(43)
As at 31 March 2019	10,320	2,629	1,065	766	638	4,122	19,540
Accumulated depreciation							
As at 1 April 2018	415	2,092	671	411	527	1,315	5,431
Charge for the year	226	191	113	98	29	717	1,374
Disposals	–	–	–	–	–	(13)	(13)
As at 31 March 2019	641	2,283	784	509	556	2,019	6,792
Net book value							
As at 31 March 2019	9,679	346	281	257	82	2,103	12,748

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

Motor vehicles include the following amounts where the Group is a lessee under finance leases.

	2019 HK$'000	2018 HK$'000
Cost – capitalised finance lease	2,509	1,823
Accumulated depreciation	(893)	(414)
Net book value	1,616	1,409

The Group leases various motor vehicles under non-cancellable finance lease agreements. The lease terms are ranging from 3 to 5 years (2018: 5 years), and ownership of the assets lie within the Group.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables	–	53,270
Amortised cost	61,994	–
Financial liabilities		
Amortised cost	10,533	10,109

17 CONTRACT ASSETS/LIABILITIES

	31 March 2019 HK$'000	1 April 2018* HK$'000
Contract assets (Note (i))	569	810
Less: allowance for credit losses	(1)	(7)
	568	803
Contract liabilities (Note (ii))	17,940	11,166

* The amounts in this column are after the adjustments from the initial application of HKFRS 9 and 15.

Notes:

(i) The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

(ii) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from interior design and fit-out services.

18 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000
Gross amounts due from customers for contract work	
Contract costs incurred plus recognised profits less recognised losses	6,000
Less: Progress billings received and receivables	(5,190)
	810
Gross amounts due to customers for contract work	
Progress billings received and receivables	13,755
Less: Contract costs incurred plus recognised profits less recognised losses	(6,322)
	7,433

All gross amounts due from/to customers for contract work were expected to be recovered/settled within one year.

19 TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**971**	770
Less: allowance for credit losses	**(67)**	–
	904	770
Other receivables, deposits and prepayments	**8,188**	6,698
Less: allowance for credit losses	**(107)**	–
	8,081	6,698
	8,985	7,468

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The credit period granted to customers is 0-30 days (2018: 0-30 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0-30 days	**407**	146
31-60 days	**–**	581
61-90 days	**–**	5
Over 90 days	**564**	38
	971	770

Trade receivables of approximately HK$146,000 as at 31 March 2018 were not yet past due, and approximately HK$624,000 as at 31 March 2018 were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

The aged analysis of the trade receivables that are past due but not impaired is as follows:

	2018 HK$'000
Neither past due nor impaired	146
Less than 1 month past due	–
1 to 3 months past due	586
Over 3 months past due	38
	770

(c) The Group does not hold any collateral as security.

20 AMOUNT DUE FROM A DIRECTOR

Name of director	**2019 HK$'000**	2018 HK$'000	**Maximum balance outstanding during the year ended 2019 HK$'000**	Maximum balance outstanding during the year ended 2018 HK$'000
Mr. Chan	**1,148**	16,653	**96**	1,095

The balance is denominated in HK$. The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand.

21 CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash at banks	52,676	48,416
Cash on hand	430	262
Cash and cash equivalents	53,106	48,678

Notes:

(a) The carrying amounts of cash and cash equivalents are denominated in HK$ and Renminbi.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

22 SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2017 and 31 March 2018 and 2019	1,000,000,000	10,000
Issued and fully paid:		
As at 1 April 2017	600,000,000	6,000
Issue of new shares under share offer (Note)	200,000,000	2,000
As at 31 March 2018, 1 April 2018 and 31 March 2019	800,000,000	8,000

Note:

The share offer comprises the placing and the public offer pursuant to the Listing. A total of initially 200,000,000 ordinary shares of HK$0.01 each were made available under the share offer, of which 140,000,000 placing shares, representing 70% of the offer shares, were initially and conditionally placed with selected investors under the placing. The remaining 60,000,000 public offer shares, representing 30% of the offer shares, were initially offered to members of the public in Hong Kong under the public offer. The share offer was at a price of HK$0.26 per share pursuant to the Listing.

23 RESERVES

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

(ii) Other reserve

Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation undertaken in preparation for the Listing.

24 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 24 March 2017. The Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company (or as the case maybe, the independent non-executive directors of the Company) from time to time on the basis of the directors' opinion as to their contribution or potential to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

24 SHARE OPTION SCHEME (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 24 March 2017, subject to early termination provisions contained in the Scheme.

No share option was granted, exercised, cancelled or lapsed during the years ended 31 March 2018 and 2019 and there was no share option outstanding as at 31 March 2019 (2018: Nil).

25 TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**6,164**	6,145
Other payables and accruals	**2,990**	6,421
	9,154	12,566

Notes:

(a) Payment terms granted by suppliers and subcontractors are generally 0-30 days (2018: 0-30 days) from the invoice date of the relevant purchases and services provided.

The ageing analysis of trade payables based on the invoice date is as follows:

	2019 **HK$'000**	2018 HK$'000
0-30 days	**2,351**	5,054
31-60 days	**922**	115
61-90 days	**1,137**	385
Over 90 days	**1,754**	591
	6,164	6,145

(b) All trade and other payables are denominated in HK$.

26 AMOUNT DUE TO A RELATED COMPANY

Name of related company	2019 HK$'000	2018 HK$'000
Hong Kong Famous Designers Association Limited ("**HKFDA**")	8	8

The balance is denominated in HK$. The amount due to a related company is unsecured, interest-free and repayable on demand (Note 31).

27 PROVISION FOR WARRANTIES

	2019 HK$'000	2018 HK$'000
Beginning of the year	537	622
Provision made for the year	1,766	436
Amounts utilised during the year	(824)	(492)
Reversal of unutilised amounts during the year	(250)	(29)
End of the year	1,229	537

The Company provides warranties to its customers typically run for initial periods to its customers ranging from 1 year to 3 years on the services provided. The amount of the provision for the warranties is estimated based on sales amounts and past experience of the level of warranty utilisation. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

28 FINANCE LEASE LIABILITIES

(a) The Group had finance leases repayable as follows:

	As at 31 March 2019		As at 31 March 2018	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	596	644	352	405
More than one year but not more than two years	518	541	363	397
More than two years but not more than five years	257	262	553	577
	1,371	1,447	1,268	1,379
Less: total future interest expenses		(76)		(111)
Present value of lease obligations		1,371		1,268

28 FINANCE LEASE LIABILITIES (CONTINUED)

(b) The Group had committed finance lease facilities which bore interest ranged from approximately 2.0% to 2.5% per annum as at 31 March 2019 (2018: at approximately 2.5% per annum).

(c) The carrying amounts of all finance lease liabilities are denominated in HK$.

29 DEFERRED INCOME TAX

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the reporting period are as follows:

Deferred tax assets arising from:

	Provision for warranties HK$'000	ECL HK$'000	Total HK$'000
As at 1 April 2017	103	–	103
Charged to profit or loss	(14)	–	(14)
As at 31 March 2018	89	–	89
Effect on initial application on HKFRS 9	–	8	8
As at 1 April 2018	89	8	97
Credited to profit or loss	114	21	135
As at 31 March 2019	203	29	232

Deferred tax liabilities arising from:

	Tax depreciation HK$'000	Total HK$'000
As at 1 April 2017	97	97
Charged to profit or loss	78	78
As at 31 March 2018 and 1 April 2018	175	175
Credited to profit or loss	(20)	(20)
As at 31 March 2019	155	155

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of the tax losses at the end of each of the reporting period as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilised in the foreseeable future.

As at 31 March 2019, the Group has unused tax losses of approximately HK$4,266,000 (2018: HK$2,079,000) which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

30 COMMITMENTS

Operating lease commitments – Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**3,426**	2,007
In the second to fifth years inclusive	**1,502**	1,200
	4,928	3,207

The Group is the lessee in respect of office premises and office equipment under operating leases. The leases typically run for initial periods ranging from 2 to 5 years (2018: 2 to 5 years).

31 RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 20 and 26 to the consolidated financial statements, the Group entered into the following material transactions with related parties during the reporting period:

(a) The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name of related parties	**Relationship with the Group**
Happy Field Corporation Limited ("**Happy Field**")	A related company owned by Mr. Chan.
Rising Wing Enterprises Limited ("**Rising Wing**")	A related company owned by Mr. Chan.
HKFDA	A related company controlled by Mr. Chan.
Mr. Chan	An executive director and the chairman of the Company.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Note	**2019 HK$'000**	2018 HK$'000
Rental expenses paid to:			
Happy Field	(i) & (iii)	**–**	280
Rising Wing	(i) & (iii)	**323**	319

Notes:

(i) The rental expenses are based on the agreements entered into between the parties involved.

(ii) The emoluments of the directors and senior executives (representing the key management personnel) during the reporting period are disclosed in Note 8.

(iii) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

32 NON-CONTROLLING INTEREST

The directors of the Company consider that the non-controlling interests of the Group during the reporting period were insignificant to the Group and thus no summarised financial information of the non-wholly owned subsidiary is required to be presented in the consolidated financial statements.

33 NON-CASH TRANSACTIONS

During the year ended 31 March 2019, addition of property, plant and equipment of approximately HK$698,000 (2018: HK$1,399,000) was financed by finance lease arrangements.

34 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

a) Statement of financial position of the Company

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Investment in a subsidiary	**1,245**	1,245
Current assets		
Prepayments	**113**	112
Cash and bank balances	**38,469**	42,854
	38,582	42,966
Total assets	**39,827**	44,211
EQUITY		
Capital and reserves		
Share capital	**8,000**	8,000
Reserves (Note (b))	**30,950**	30,842
Total equity	**38,950**	38,842
Current liabilities		
Accruals	**264**	90
Amount due to a subsidiary	**613**	5,279
Total liabilities	**877**	5,369
Total equity and liabilities	**39,827**	44,211
Net current assets	**37,705**	37,597
Total assets less current liabilities	**38,950**	38,842

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

Mr. Chan Lai Sin
Director

Mr. Hung Lap Ka
Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

b) Reserves movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 1 April 2017	–	(4,755)	(8,629)	(13,384)
Issue of new shares	50,000	–	–	50,000
Share issue expenses	(5,581)	–	–	(5,581)
Loss and total comprehensive expense for the year	–	–	(193)	(193)
Balance as at 31 March 2018 and 1 April 2018	**44,419**	**(4,755)**	**(8,822)**	**30,842**
Profit and total comprehensive income for the year	**–**	**–**	**108**	**108**
Balance as at 31 March 2019	**44,419**	**(4,755)**	**(8,714)**	**30,950**