IMS GROUP HOLDINGS LIMITED

英馬斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8136

Annual Report 2018/2019

IMS GROUP

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew
(Chairman and Chief Executive Officer)
Mr. Yeung Wun Tang Andy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam
Mr. Ha Yiu Wing
Dr. Wilson Lee

COMPANY SECRETARY

Mr. Chau Wing Wo (Resigned on 22 March 2019)
Mr. Lee Pui Chung (Appointed on 22 March 2019)

COMPLIANCE OFFICER

Mr. Tam Yat Ming Andrew

AUTHORISED REPRESENTATIVES

Mr. Tam Yat Ming Andrew
Mr. Yeung Wun Tang Andy

AUDIT COMMITTEE

Mr. Chu Yin Kam *(Chairman)*
Mr. Ha Yiu Wing
Dr. Wilson Lee

REMUNERATION COMMITTEE

Dr. Wilson Lee *(Chairman)*
Mr. Ha Yiu Wing
Mr. Tam Yat Ming Andrew

NOMINATION COMMITTEE

Mr. Ha Yiu Wing *(Chairman)*
Mr. Chu Yin Kam
Dr. Wilson Lee

AUDITOR

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Hong Kong

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CORPORATE INFORMATION

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

STOCK CODE

8136

COMPANY'S WEBSITE

www.ims512.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am pleased to present the annual report of IMS Group Holdings Limited for the year ended 31 March 2019.

This year was a challenging year to our Group after our successful listing on GEM of the Stock Exchange on 25 January 2018 (the "**Listing**"). Detailed analysis in respect of the performance of the Group for the year is covered in the section headed "Management Discussion and Analysis" of this report.

During the year, although the market was generally affected by the uncertainty from the US-China relationship, we still recorded an increasing trend of approximately 14% of revenue for the year ended 31 March 2019 compared to 2018.

Southeast-Asia is still the main source of demand in the integrated light-emitting diode ("**LED**") lighting solution services as well-known brands continue to establish flagship stores in the shopping malls in Southeast-Asia region. Our Group will keep focusing on our main business and explore new potential market to achieve the growth target.

Our Group has confirmed the new factory will be situated in Zhongshan. With the set up of the factory, we aim to reduce the costs and improve the quality of our LED lighting fixtures. We expect that the factory can start its production in the fourth quarter of 2019, and will match with the future development of our Group.

Meanwhile, the Group will continue looking for business opportunities and investment opportunities in the People's Republic of China (the "**PRC**") and Asia Pacific region to enlarge our business network.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express my gratitude to all shareholders, business partners and customers for their staunch support. In addition, I would like to take this opportunity to extend my deepest appreciation to all our staff members for their continuous and valuable contribution to the Group. We will continue to work hard to bring fruitful returns to our stakeholders.

Tam Yat Ming Andrew
Chairman and Chief Executive Officer

Hong Kong, 28 June 2019

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew (談一鳴), aged 53, was appointed as a Director of our Company on 15 February 2017 and redesignated as our executive Director on the same day. Mr. Tam is the chairman of the Board (the "**Chairman**"), chief executive officer (the "**CEO**") and a member of the Remuneration Committee of our Group. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. He has been serving as a director in our Group since April 1998 and was responsible for managing the day-to-day business operations and business development. Mr. Tam has over 13 years of experience in the LED lighting solutions industry and over 19 years of experience in the visual-audio business. Mr. Tam obtained a bachelor's degree in science from the University of Guelph, Canada, in February 1991.

Mr. Yeung Wun Tang Andy (楊援騰), aged 52, was appointed as a Director of our Company on 15 February 2017 and redesignated as our executive Director on the same day. Mr. Yeung is our chief operating officer of the Group. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. He was appointed as director of our Group in October 2002, where he was responsible for sales and project management. Mr. Yeung has over 13 years of experience in the LED lighting solutions industry and over 19 years of experience in the visual-audio business. Mr. Yeung obtained a bachelor of arts degree majoring in economics from the University of Regina, Canada, in May 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam (朱賢淦), aged 65, was appointed as an independent non-executive Director of our Company on 22 December 2017. Mr. Chu is the chairman of the Audit Committee and a member of the Nomination Committee. He is responsible for supervising and providing independent judgment to our Board, which includes views on financial matters. He is experienced in financial management, corporate finance and investment monitoring. Mr. Chu was the Senior Financial Controller of the Swire Group's Trading Division companies in Taiwan and Korea. He was the Director of ARC Capital Partners Limited and the Chief Financial Officer of Wisdom Sports Group (Stock Exchange code: 1661). Mr. Chu obtained a Bachelor of Commerce degree from the University of New South Wales. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants of England and Wales. He is also a Fellow of the Taxation Institute of Hong Kong.

Mr. Ha Yiu Wing (夏耀榮), aged 56, was appointed as an independent non-executive Director of our Company on 22 December 2017. Mr. Ha is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He is responsible for supervising and providing independent judgement to our Board. Mr. Ha has over 26 years of experience in the lighting industry. He has held various management positions in the lighting division of Philips Lumileds and Philips Electronics Hong Kong Limited. Mr. Ha obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in May 1986. He has obtained certificates for completing courses on ISO 9001 and auditing of quality management systems issued by McCrae Consultants Limited in September 1998, ISO 14001 in respect of environmental management system issued by the Hong Kong Productivity Council in July 1999, ISO 9000:2000 in respect of quality system documentation issued by the Hong Kong Productivity Council in March 2002 and ISO 9001:2000 in respect of internal auditor training issued by TQC Development Centre Limited in March 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wilson Lee (李惠信), aged 52, was appointed as an independent non-executive Director of our Company on 22 December 2017. Dr. Lee is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He is responsible for supervising and providing independent judgement to our Board. Since December 2007, he has been a specialist in orthodontics at Central Orthodontics Limited in Hong Kong, responsible for the overall management of such specialist practice and providing professional orthodontics services. Dr. Lee has been appointed as an executive committee member of The Hong Kong Anti-cancer Society since November 2014. Dr. Lee obtained a master of business administration degree from Rochester Institute of Technology in New York, U.S. in May 1993. He also obtained a bachelor's degree in science from the University of Toronto, Canada in November 1991 and a bachelor's degree in dental surgery from The University of Hong Kong in November 2001. He furthered his studies at The University of Hong Kong and obtained a master degree and advanced diploma in orthodontics in November 2007 and September 2009, respectively. Dr. Lee has been a registered dentist in Hong Kong since July 2001 and a specialist in orthodontics with the College of Dental Surgeons in Hong Kong since November 2010.

SENIOR MANAGEMENT

Mr. Chau Wing Wo (周永和), aged 35, is the financial controller of the Group and company secretary of the Company. He joined our Group in January 2017 and is primarily responsible for the financial matters of our Group. Mr. Chau has over 10 years of experience in accounting and financial management. Prior to joining our Group, he worked in CITIC Dameng Holdings Ltd (Stock Exchange stock code: 1091) from May 2012 to January 2017 and served as an assistant manager of the finance department from March 2016 to January 2017 where he was primarily responsible for preparing financial statements, budgeting and financial compliance. Mr. Chau obtained a bachelor of business administration degree in accounting and finance from The University of Hong Kong in November 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2011. Mr. Chau has resigned as the financial controller and company secretary of the Company with effect from 22 March 2019.

Mr. Lee Pui Chung (李沛聰), aged 32, is the financial controller of the Group and company secretary of the Company. He joined our Group in March 2019 and is primarily responsible for the financial matters of our Group. Mr. Lee has over 10 years of experience in accounting, finance and auditing. Prior to joining our Group, he worked in Zioncom Holdings Limited (Stock Exchange stock code: 8287) and served as the financial controller and company secretary where he was primarily responsible for preparing financial statements, budgeting and financial compliance. Mr. Lee obtained a bachelor of business administration degree in accountancy from City University of Hong Kong in November 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since October 2012 and a full member of CPA Australia since May 2019. Mr. Lee has been appointed as the financial controller and company secretary of the Company with effect from 22 March 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo King Shun (盧景純), aged 56, is the senior manager of engineering and quality assurance of our Group. He joined our Group in February 2004 and is primarily responsible for engineering and quality assurance of lighting and audio visual products for projects of the Group. In May 2011, Mr. Lo has been promoted as Senior Manager of the Technical Department of MIS Technology Projects, responsible for overseeing the quality control of products and services provided by the Group. In February 2015, Mr. Lo was further employed as the Senior Manager of Bluelite Illumination Limited. Mr. Lo has over 11 years of experience in project management. Mr. Lo completed his secondary school education in July 1981.

Ms. Fok Yee Man (霍以雯) aged 47, is the general manager of the Group. She has been serving in our Group since April 1998 and was appointed as general manager on 1 January 2019. She is responsible for the overall management, cost controlling, overseeing the day-to-day operation of the Group's business and executing corporate strategies. Ms. Fok has more than 22 years of experience in administrative & operation management and accounting work. Prior to joining our Group, she worked in South China House of Technology Consultants Ltd. from January 1996 to March 1998 and served as the project administrative executive. Ms. Fok obtained a bachelor's degree in hospitality management from The Hong Kong Polytechnic University in November 1995.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in provision of LED lighting fixtures and integrated LED lighting solution services for retail stores of world-renowned end-user luxury brands mainly in the Asia market.

For the year ended 31 March 2019, the Group recorded revenue of approximately HK$75.1 million and profit attributable to the owners of parent of approximately HK$6.6 million, as compared to revenue of approximately HK$65.9 million and loss attributable to owners of the Company of approximately HK$3.5 million for the year ended 31 March 2018. The Group considers the increase in revenue was mainly caused by increase in the revenue from sales of LED lighting fixtures. As for the increase in profit attributable to owners of the Company, it was mainly due to the absence of non-recurring listing expenses which were incurred for the year ended 31 March 2018, though such positive effect was partially offset by an increase in administrative expenses for the year ended 31 March 2019 as compared to last year because of increases in salaries and allowances and legal and professional fees.

The following table sets forth the details of the Group's revenue sources:

	For the year ended 31 March			
	2019		2018	
Revenue sources	**HK$'million**	**%**	HK$'million	%
Sales of LED lighting fixtures	**69.0**	**91.9**	59.7	90.6
Integrated LED lighting solution services	**3.4**	**4.5**	2.0	3.0
LED lighting system consultation and maintenance services	**2.6**	**3.5**	2.5	3.8
Sales of visual-audio systems	**0.1**	**0.1**	1.7	2.6
	75.1	**100.0**	65.9	100.0

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures has increased from approximately HK$59.7 million for the year ended 31 March 2018 to approximately HK$69.0 million for the year ended 31 March 2019, representing an increase of 15.6% in this segment. The increase was mainly due to increase of well-known brands establishing flagship stores in the PRC and thus the demand of LED lighting fixtures increased.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services has increased from approximately HK$2.0 million for the year ended 31 March 2018 to approximately HK$3.4 million for the year ended 31 March 2019, representing an increase of 70.0%. The increase was mainly due to increase of well-known brands establishing flagship stores in the PRC and they required more integrated LED lighting solution services.

LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service has slightly increased from approximately HK$2.5 million for the year ended 31 March 2018 to approximately HK$2.6 million for the year ended 31 March 2019. No material change was noted.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of visual-audio systems

As we have reallocated resources to other segment so as to place our focus on sales of LED lighting fixtures, no additional resources have been deployed to this segment, resulting in a decrease in revenue from approximately HK$1.7 million for the year ended 31 March 2018 to approximately HK$0.1 million for the year ended 31 March 2019, representing a decrease of approximately HK$1.6 million or 94.1%.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$65.9 million for the year ended 31 March 2018 by approximately HK$9.2 million or 14.0%, to approximately HK$75.1 million for the year ended 31 March 2019. The increase was mainly due to the increase of sales of LED lighting fixtures.

Direct Costs

Our direct costs increased from approximately HK$31.6 million for the year ended 31 March 2018 by approximately HK$5.4 million or 17.1%, to approximately HK$37.0 million for the year ended 31 March 2019. The increase was in line with the increase of revenue.

Gross Profit

With the impact of the above factors, gross profit increased from approximately HK$34.4 million by approximately HK$3.7 million or 10.8%, to approximately HK$38.1 million.

Other Income and Other Gains and Losses

Our other income and other gains and losses increased from approximately HK$81,000 for the year ended 31 March 2018 by approximately HK$34,000 or 42.0% to HK$115,000 for the year ended 31 March 2019. The increase was mainly due to the exchange gain/(loss), net of approximately HK$68,000 incurred during the year ended 31 March 2019.

Administrative Expenses

Administrative expenses increased from approximately HK$21.0 million for the year ended 31 March 2018 by approximately HK$3.3 million or 15.7%, to approximately HK$24.3 million for the year ended 31 March 2019. Our administrative expenses mainly comprise of salaries and allowances expenses, accounting for approximately HK$18.9 million and approximately HK$16.7 million for the years ended 31 March 2019 and 2018 respectively. The increase in administrative expenses was primarily due to the increase in salaries and allowances (included directors' remuneration) of approximately HK$2.2 million and increase in legal and professional fees for compliance purpose of approximately HK$1.6 million for the year ended 31 March 2019.

Expected credit loss on trade receivables

At initial application of HKFRS 9, the expected credit loss under HKFRS 9 as at 1 April 2018 was approximately HK$6.0 million which compared to the impairment allowance under HKAS 39 as at 1 April 2018 of approximately HK$3.9 million, an additional expected credit loss of approximately HK$2.1 million was adjusted on the opening retained earnings as at 1 April 2018.

The expected credit loss of approximately HK$1.2 million was recognised for the year ended 31 March 2019. Details are set out in note 19 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

No finance costs has been incurred for the year ended 31 March 2019, compare to approximately HK$147,000 of finance costs for the year ended 31 March 2018.

Listing Expenses

Due to the successful listing on 25 January 2018, the Group recognised listing expenses of approximately HK$13.1 million for the year ended 31 March 2018. The Group did not incur any listing expenses for the year ended 31 March 2019.

Income Tax Expense

Profit before tax has increased from approximately HK$0.2 million for the year ended 31 March 2018 to approximately HK$12.7 million for the year ended 31 March 2019 due to the absence of non-recurring listing expenses which were incurred during the year ended 31 March 2018. The income tax expenses increased from approximately HK$3.8 million by HK$2.3 million or 60.5%, to approximately HK$6.1 million for the year ended 31 March 2019. It is because the net profit generated from our PRC subsidiary, which is subject to a higher tax rate, has increased when compared to the year ended 31 March 2018.

Profit/(loss) for the year

The Group recorded a profit of approximately HK$6.6 million attributable to owners of the Company for the year ended 31 March 2019 compared to the loss attributable to owners of parent of approximately HK$3.5 million for the year ended 31 March 2018. The increase in profit is principally caused by the absence of non-recurring listing expenses which were incurred during the year 31 March 2018.

DIVIDEND

No interim dividend was paid for the year ended 31 March 2019 (2018: nil).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from our operating activities. As at 31 March 2019, we did not have any bank borrowings.

Liquidity ratios

	2019	2018
Current ratio	**5.1**	4.8
Quick ratio	**5.1**	4.7

Current ratio: The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year.

Quick ratio: The quick ratio is calculated by dividing current assets minus inventories with current liabilities as at the end of the respective year.

The increase in both current ratio and quick ratio was mainly due to the cash generated from operating activities during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and bank balances

As at 31 March 2019, the currency denomination of the Group's cash and bank balances are as follow:

Currency denomination	**2019** **HK$ million**	2018 HK$ million
Denominated in:		
HKD	**37.0**	44.1
RMB	**22.2**	11.1
	59.2	55.2

Net current assets

As at 31 March 2019, the Group had net current assets of approximately HK$63.3 million (2018: approximately HK$58.9 million).

Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to owners of the Company amounted to approximately HK$63.7 million (2018: approximately HK$60.0 million).

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 25 January 2018 ("**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

Majority of the Group's business operations were conducted in Hong Kong and the PRC. The sales of the Group are denominated in Hong Kong dollars and Renminbi, which were the functional currencies. The purchases of the Group are denominated in Renminbi, Hong Kong dollars and US dollars. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year.

PLEDGE OF ASSETS

As at 31 March 2019, the Group had not pledged of any of its assets (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any contingent liabilities (2018: nil).

CAPITAL EXPENDITURE

During the year, the Group acquired items of property, plant and equipment of approximately HK$85,000 (2018: approximately HK$236,000) and intangible assets of approximately HK$271,000 (2018: approximately HK$nil).

CAPITAL COMMITMENT

As at 31 March 2019, the Group did not have any capital commitment (2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, including our executive directors, the Group had a total of 37 (as at 31 March 2018: 37) employees, of which 34 employees were in Hong Kong and 3 employees were in the PRC.

Human resources are vital to our business. Compliance with external competitiveness and internal equity principle, the Group regularly reviews its remuneration plan in accordance with the employees' experience, responsibilities and performance, etc. to ensure that remuneration is in line with market competitiveness. The Group is committed to providing fair market remuneration in form and value to attract, retain and motivate high quality employees. The Group operates the following retirement schemes for its employees:

(1) a defined scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for those employees in Hong Kong who are eligible to participate; and

(2) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for the PRC employees.

Furthermore, the Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 22 December 2017 so as to motivate, attract and retain right employees.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments as at 31 March 2019 (2018: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the year ended 31 March 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Up to 31 March 2019, we utilised the net proceeds raised from the Initial Public Offering in accordance with the designated uses set out in the prospectus issued by the Company on 11 January 2018 (the"**Prospectus**") as follows:

Description	Amount designated in the Prospectus HK$'million	Planned use of proceeds from Listing Date to 31.3.2019 HK$'million	Amount utilised up to 31.3.2019 HK$'million	% utilised
Setting up a factory				
— Rental of factory and staff quarters	2.0	2.0	—	0.0%
— Operating expense including staff costs	3.9	3.9	—	0.0%
—Purchasing computer numeric control machines, three dimensional printer ("**3D printer**") and testing equipment	3.7	3.7	—	0.0%
— Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	—	0.0%
Subtotal	10.6	10.6	—	0.0%
Recruiting high calibre staff	4.3	2.4	0.5	11.6%
Pursuing suitable acquisitions	13.0	13.0	—	0.0%
Enhancing our enterprise resource planning ("ERP") system	3.7	3.7	1.0	27.0%
Expanding and upgrading the infrastructure of our workshop and office	1.9	1.9	0.1	5.3%
Working capital and general corporate purpose	1.2	1.2	1.2	100.0%
Grand total	34.7	32.8	2.8	8.1%

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the designated and actual implementation plan up to 31 March 2019:

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Setting up a factory	— Renovating the factory — Purchasing machinery and equipment, including CNC machines, a 3D printer and testing equipment to meet our production requirements and quality standards — Recruiting new staff with relevant experience starting from late-May 2018 to take up the positions of factory manager, machinery operators and technical staff and other administrative staff — Preparing for and commencing operations of the factory in June 2018	— Searching for suitable premises in Zhongshan to set up the factory. — Obtained 3D printer quotation and is under the selection process.
Recruiting high calibre staff	— Continuously reviewing the performance of our staff in relation to our business performance — Monitoring the research and development deliverables of staff — Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong	— Continuously reviewing the performance of our staff in relation to our business performance — Recruited a lighting designer to strengthen our products — Seeking suitable candidates for the position of sales coordinator by advertisement — Recruited a business development manager to seek for new business opportunities
Pursuing suitable acquisitions	— Identifying potential acquisition target(s)	— Identifying potential acquisition target(s)

MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Enhancing our ERP systems	— Continue testing and modifying the ERP system in both Hong Kong and PRC	— Continue testing and modifying the ERP system in both Hong Kong and PRC
Expanding and upgrading in the workshop and office	— Managing the operational efficiency of our workshop and office	— Managing the operational efficiency of our workshop and office
	— Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business	— Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business

The net proceeds from the Listing, after deducting the related expenses, were approximately HK$34.7 million. The Group has utilised approximately HK$2.8 million of the proceeds from the Listing Date to 31 March 2019.

We are still in the process of identifying potential acquisition target(s). Therefore, we have not yet used the approximately HK$13.0 million proceeds designated for pursuing suitable acquisitions.

In addition, up to the date of this report, we confirmed the new factory will be situated in Zhongshan and we have already obtained the 3D printer quotations which is under the selection process.

The Company will pursue the implementation plan as disclosed in the Prospectus.

All unutilised balances have been placed in a licensed bank in Hong Kong.

EVENTS AFTER REPORTING PERIOD

The Group does not have any significant events after the reporting period and up to the date of this report.

FUTURE DEVELOPMENT AND OUTLOOK

Our goal is to be one of the leading LED lighting solutions providers in Hong Kong. The Shares were successfully listed on GEM of the Stock Exchange on the Listing Date. The net proceeds from the share offer enables us to have sufficient financial resources to broaden our customer bases and achieve cost savings through setup of our own factory in the future.

In addition, Asia (especially the PRC) is still the rising engine of the global economy. We expect there will be rising domestic demand towards our luxury renowned brands.

MANAGEMENT DISCUSSION AND ANALYSIS

However, the on-going US-China trade war adds uncertainties to our business. For instance, tariff has been imposed on steel and aluminium, which leads to the increase in metal price. Aluminium is one of the major materials we use in our products and hence, the cost of LED lighting fixtures will inevitably increase. Moreover, our major component, LED chips, are sourced from the United States, which would be potentially affected by steps taken by the United States. In response to the potential threat from the US-China trade war, we have started to locate LED chips sourced from Japan and Korea as substitute to our US LED chips. On the contrary, entry barrier may be imposed by the PRC to block our potential competitors, from the United States, to enter the PRC market. We could take this opportunity to enlarge our market in the PRC. Our management team will closely monitor and assess the potential impact of the US-China trade war on our business.

Looking forward, the Group expects the growing affluence of residents in the PRC will attract the luxury renowned brands to increase their exposure in the PRC, which provides us valuable opportunities to further penetrate into the PRC market. Leveraging the support of the capital market, our own strengths, the global trends of energy saving and environmental protection, the Group is cautiously optimistic on its development in the future. We will strive to maintain steady growth and to maximise returns for our investors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the second Environmental, Social and Governance Report (the "**ESG Report**") published by the IMS Group Holdings Limited ("**IMS Group**" or the "**Company**", together with its subsidiaries, the "**Group**"), which enables stakeholders to know more about the Group's progress and direction in sustainability aspects by reporting on its polices, measures and performance in various sustainability issues.

This report is available in both Chinese and English, and can be viewed or downloaded on the websites of the Group (www.ims512.com) and the Stock Exchange of Hong Kong Limited ("**SEHK**").

Reporting Scope

Consistent with the last report, this ESG Report focuses on the Group's 1) sales of LED lighting fixtures, 2) provision of integrated LED lighting solution services, 3) provision of LED lighting system consultation and maintenance services and 4) sales of visual-audio system in Hong Kong between 1 April 2018 and 31 March 2019 ("**the reporting year**"). To enable comparison of the Group's yearly performance and progress in sustainability, the reporting methodologies of the two consecutive reports are aligned.

While the core businesses are covered in this report, some operations of the Group in other geographical regions are not included in the reporting scope. The Group will continue to improve the existing data collection system and gradually expand the scope of disclosures to cover the entire operations.

Reporting Standards

This ESG Report is prepared to meet the requirements of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM of SEHK. To make sure that the environmental key performance indicators are accurate, the Group has appointed professional consultancy to conduct a carbon assessment based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

All the information cited in this report was derived from the Group's official documents, statistical data as well as management and operational information collected in accordance with the Group's policies. The ESG Report has been confirmed and approved by the Group's Board of Directors on 28 June 2019.

Feedback

Stakeholder opinions matter as they facilitate the Group to map out important environmental, social and governance ("**ESG**") issues, and give the Group inspiration on how to improve its ESG performance. If you have any comments about the report, please contact the Group via the following channels:

Mail: Room 1801, 18/F, 148 Electric Road, Fortress Hill, Hong Kong
Email: info@imsgroupholdings.com
Telephone: +852 3183 4888
Fax: +852 2856 9700

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

IMS Group fully recognises the benefits of proactive communication with stakeholders regarding their concerns for sustainability. Stakeholders are groups or individuals materially influencing or affected by the Group's business, including both internal (e.g. board of directors, management, and general employees) and external (e.g. shareholders, investors, suppliers, subcontractors and customers etc.) ones. Stakeholder engagement is essential for the Group to examine potential risks and to identify areas for improvement.

Regular means of stakeholder engagement during the reporting year included:

Interactive	Informational	Enabling
face-to-face meetings; teleconferences; Annual General Meeting	Direct mail Company websites	Training Regular staff activities Interviews

To achieve long-term success and sustainability, the Group performs materiality assessment annually to identify and prioritise ESG issues which have significant impacts on its business, investors and stakeholders. Similar to the last reporting year, an independent consultancy was commissioned to conduct a management interview on the Group's vision, strategies and governance of ESG issues.

Having taken the interview results and expert advice into consideration, the Group has been able to prioritise 3 issues from the 11 environmental and social aspects specified in the ESG Reporting Guide to be the material focus of this report.

Use of Resources	Development and Training	Community Investment

The Group believes that stakeholders' engagement is crucial to its practice for sustainable development, and will continue to monitor the effectiveness of its communication mechanism and seek ways to strengthen interaction with stakeholders with a more diverse means of engagement (such as surveys and focus group, etc.).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MESSAGE FROM THE CHAIRMAN

As an industry leader in provision of integrated LED lighting solutions, IMS Group has advocated energy efficiency and a sustainable way of business operation since the beginning of its business. We believe that transitioning to a low carbon society is the way forward and this ESG Report demonstrates our effort and commitment to this cause.

We are fully aware of the fact that issues related to sustainability could pose threats to our business. To effectively manage these risks and devise relevant mitigation measures, regular assessment and awareness of ESG issues among all staff are key. The Group has adopted relevant initiatives to address these areas in order to future proof our operations and better safeguard the interests of stakeholders.

This year, the Group selected use of resources, development and training and community investment as focus areas of disclosure in the ESG Report and key aspects in our work plan. The first issue is closely linked to the nature of our business, while the remaining two issues highlight our people-oriented culture that focuses resources on employees and the community.

In response to stakeholders' expectations, the Board of Directors is fully responsible for the sustainability performances and execution of relevant policies of the Group. To ensure the relevant measures can be smoothly carried out, it is on our agenda to establish a formal structure on sustainability governance.

We hope that through this report, stakeholders can gain better understanding of where we stand and also provide us with valuable feedback. In the future, the Group will strive to improve the preparation of the ESG report in different aspects, and develop a sustainability-oriented culture in our team. With the support of stakeholders, we shall stride further with industry peers on the path towards sustainability.

Mr. Tam Yat Ming Andrew
Chairman and Chief Executive Officer
IMS Group Holdings Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE

To attain mid-term and long-term business targets and goals, the Group is committed to maintaining a high standard of corporate governance. The Board of Directors directs the overall strategy and development of the Group's operations and business, and is responsible for monitoring and reviewing corporate governance practices across the Group.

The Group is keen to explore more sustainable development opportunities for its business and the communities that it operates in. The Board of Directors will keep track to strengthen the Group's sustainability performance across a wide spectrum of topics in future.

Risk Management

Effective risk management is essential for the long-term growth and sustainability of the businesses of the Group. The Board is responsible for the overall strategy and development of the Group's businesses, and for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests, while the senior management is charged with the responsibility to design and implement the systems. At the same time, The Board assesses the effectiveness of the risk management and internal control systems through the reviews performed by the Audit Committee and external professional firm.

To efficiently manage the risks and capitalise on the business opportunities brought about by ESG issues, in the future the Group will conduct a comprehensive review on its day-to-day operations and incorporate ESG material issues in its risk management and assessment as to ensure timely responses and effective policies for ESG issues and risks are in place.

ENVIRONMENTAL PROTECTION

IMS Group places great emphasis on its environmental responsibilities and pays attention to the emissions generated by its business, the utilisation of resources, and their impact on the environment. The Group's Green Office Policy outlines its approach to applying sustainable development principles in its businesses, including office operation and supply chain management.

Use of Resources

The Group has been taking the reduction of resources consumption and the improvement in the efficiency of the utilisation of resources as a principle, and as such it uses highly efficient equipment as much as possible.

In the Green Office Policy, it is stipulated that employees must turn off light and unnecessary energy devices, sun control window films shall be installed, and the dust filter of air-conditioner shall be cleaned regularly, to reduce energy consumption and increase energy efficiency. The Group consumed 64.8 MWh electricity during the reporting year, achieving a reduction in electricity consumption by nearly 3% compared to the last reporting year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Although the Group's business operations do not consume a great deal of water, it has spared no efforts in saving water. The Group checks water consumption regularly, repairs dripping faucet or hose in a timely manner, and adopts effective water-saving production methods and instruments. The Group sources water from the municipal supplies through pipelines maintained by the property manager, so there is no issue in sourcing water. However, since separate water metres have not been installed for the Group's office in Hong Kong, and the property manager and owner of the office premises were unable to provide water consumption information, the Group was unable to generate water consumption data for the reporting year. The Group shall continue to work closely with the relevant parties involved and seek to improve its environmental data management measures in the coming reporting years.

In terms of other resources, for example, paper, the Group has also adopted a series of measures to reduce paper consumption, including deploying paper recycling bins, encouraging employees to reuse paper products such as packaging box and file folder, and promoting double-sided printing, etc.

Due to the Group's business nature, packaging materials were not substantially used for the Group's sales of LED lighting fixtures during the reporting year.

To demonstrate progress in reducing resource consumption, in the next reporting year, the Group will consider formulating Group-wide resource reduction targets, and will devise appropriate action plans to achieve these targets.

Emissions

While increasing its operational efficiency, the Group is also working to reduce the impact of its business operations on the environment and proactively promoting the sustainable development. The Group regularly conducts assessments of environmental performance to find out areas for improvement.

Air Emissions	Greenhouse Gas Emissions	Waste
To minimise the air emissions, the Group encouraged employees to use public transport whenever possible and to adopt environmental-friendly travelling practices. Air pollutants, including 4.50kg nitrogen oxides (NO_x), 0.01kg sulphur oxides (SO_x) and 0.41kg Respirable Suspended Particles (RSP) were generated from fossil fuel combustions by mobile vehicles in the reporting year.	The Group has taken steps to combat climate change by promoting various paper and electricity reduction initiatives. A total of 588.7 tonnes CO_2-equivalent greenhouse gas emissions were released in the reporting year. Paper waste disposal (within Scope 3) is the largest contributor to the Group's greenhouse gas emissions, which accounted for 79.6% of total emissions, followed by business travel by air (within Scope 3) and purchased electricity consumption, accounted for 11.3% and 8.7% of total emissions respectively.	Non-hazardous wastes were collected and disposed of at the landfills. The Group actively promoted waste reduction by giving employees useful tips on recycling. Hazardous waste, if generated, should be handled by qualified service contractors. In the reporting year, 0.85 tonnes of non-hazardous wastes were collected. As the operations within the reporting scope were office-based, the hazardous waste generated was insignificant and had therefore not been measured.
The Group will continue to assess, record and disclose data on emissions and waste annually.		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment and Natural Resources

The Group respects nature and protects the ecological environment. It minimises the impact on the environment by reducing emissions and conserving resources in its operations. In addition, the Group incorporates environmental concerns into its procurement process, as well as being active in promoting LED products which is more energy-efficient than the traditional light bulb, in order to work closely with stakeholders to protect the environment and conserve natural resources.

The Group abides by all related environmental laws and regulations in its operations, including but not limited to Air Pollution Control Ordinance and Waste Disposal Ordinance. During the reporting year, the Group did not have any cases of noncompliance related to emissions and pollution.

LABOUR PRACTICES

As a caring and responsible employer, the Group is devoted to building a respectful and inclusive workplace, cultivating a healthy and safe working culture, and investing in securing and nurturing talents. The Employee Handbook also outlines the Group's commitments in providing employees with a workplace that is free of discrimination and advocates for diversity.

Development and Training

Employees contribute directly to the Group's service quality. To help employees improve their skillsets and operational efficiency with opportunities for professional development, the Group is committed to organising various types of employee training. At the same time, employees with 6 months of service period are entitled to apply for sponsorship for external training programmes related to the present job or new work assignment.

The Group values the career planning and development of employees and has established the procedure of annual performance appraisal. Through the performance appraisal system, managers can identify and confirm employees' personal needs and goals, thus assist employees in fulfilling their career expectations on an ongoing basis.

Year	2017/18	2018/19
Percentage of employees trained	9%	8%

The Group noticed that the percentage of employees trained during the reporting year were slightly less than that in the previous reporting year. It is on its agenda to have annual update on training modules on our product range provided to all employees, including topics of: the market trend, quantitative colour measurement, optical system, thermal solutions, and power supply.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment System

The Group sticks to a people-centred approach and pays attention to the growth of its employees. The employment policies covering aspects including salary, compensation and dismissal, recruitment, working hours, rest periods, promotion and benefits, equal opportunity, and anti-discrimination are set out in the Employee Handbook.

We are committed to promoting diversity and equal opportunities in the workplace. All employees are recruited and promoted based on the principle of fair competition. All forms of discrimination in the workplace, including race, religion, colour, sex, sexual orientation, national origin, age and marital status are prohibited.

The Group offers competitive remuneration and benefits to attract and retain talents. Employees are entitled to not only statutory holidays but also marriage leave and bereavement leave, and are provided with various benefits, such as the discretionary incentive bonuses, travelling allowance and study subsidies.

Being committed to promoting smooth employee relationship in the workplace, the Group has various channels to listen to employees' views on the employment system and working environment. In addition, birthday party is organised each month to encourage the sharing of joyful moments and foster a harmonious working environment.

Year	2017/18	2018/19
Turnover rate of employees	6%	12%

In the reporting year, the turnover rate has increased by 6%. The Group will continue to enhance employee engagement measures to retain talents. The Group will also look into revising the policy terms in employment system to support diversity and equal opportunities.

Health and Safety

The Group treats its employees' health and safety with the utmost care and have wide-ranging occupational health and safety management policies and regulations in place. All these policies and regulations, stipulated in the Employee Handbook, aim to enable employees' understanding and protection on safety management in daily operation.

The Group has the following requirements for the day-to-day safety management:

Behaviour Standards	Employees are prohibited to smoke, and bringing hazardous or strong-smelling substances into the office environment; The last employee to leave office shall shut down all computer and electric appliances.
Risk Reporting	Employees should inform their superior immediately if any furniture or carpet is in need of repair, or any electrical appliances are found to be faulty.
Emergency Preparedness	Employees must be familiar with emergency routes and emergency exits, and they shall keep emergency exits and fire extinguishing equipment in good working order.

The Group tries to extend our care to cover the holistic health and wellbeing of employees, and has provided medical benefit scheme for all employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Group complies with the Employment Ordinance and international advocacy to protect the rights of its employees. As stated in the Internal Guideline for Child and Forced Labour, the Group does not tolerate employing person aged under 18, except for cases where special approval is obtained from management who shall ensure compliance with certain law and requirements[1]. During the recruitment process, Human Resources Department performs a background check, including identity and age, to prevent hiring child labour.

The Group also respects employees' freedoms and rights of work, ensure the terms and conditions laid out in the employment contracts are in compliance with legal requirements. Employees will be compensated by allowing them to take working days off or receive overtime compensation based on the nature of their overtime work.

The Group abides by all related environmental laws and regulations in its daily operations, including Employment Ordinance, the Employees' Compensation Ordinance, and the Occupational Safety and Health Ordinance. During the reporting year, the Group did not have any cases of noncompliance on employment, health and safety, child labour and forced labour, or cases of work-related injury or fatality.

COMMUNITY INVESTMENT

IMS Group is committed to being an active and supportive member of the community. To ensure that benefits for the community are maximised, the Group is going to establish a set of community investment strategy. In doing so, the following major standards stated in its Community Investment Policy shall be followed:

- Taking account of the cultural, economic and social needs and sensitivities of the communities in which the Group operates;
- Taking account of business objectives and reputational impact of the Group;
- Putting strong emphasis on social and welfare, education and cultural activities;
- Encouraging employees to become involved in community investment programmes that deliver added value for both the communities and employees in terms of personal or professional development; and
- Enabling appropriate skills to be transferred to partnering organisations to help expand their capabilities.

The Standard Chartered Hong Kong Marathon 2019 was held in February 2019. The Group invested approximately HK$35,000 and organised 11 employees to take part to support the event. All funds raised from the event were donated to Seeing is Believing-Orbis, the Hong Kong Paralympic Committee & Sports Association for the Physically disabled, and The Hong Kong Anti-Cancer Society to support the needs of the communities.

1 The Employment of Young Persons (Industry) Regulations and the Employment of Children Regulations, made under the Employment Ordinance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FAIR OPERATIONS

The Group is committed to upholding the highest standard of corporate governance and business integrity in its business activities. A set of corporate policies states the Group's objectives and requirements regarding supply chain management, product responsibility and anti-corruption.

Supply Chain Management

The Group values its collaboration with suppliers and believes that establishing a partnership with suppliers can help the Group continuously optimise its operation process and improve its operation quality. As a responsible enterprise, the Group has a Supply Chain Management Policy in place which targets to improve risk management in its supply chain.

In the selection of suppliers, operating in accordance with local laws and regulations is only the minimum requirement, the Group will assess the timeliness, quality and product certification of suppliers, and assess their environmental and social responsibilities as well. In addition, the Group also communicates with suppliers to reduce packaging material, and pay attention to energy saving in adherence to the Group's Green Office Policy. As such, the Group and its suppliers share the common goal of being a more sustainable business.

The Group periodically reviews the performance of its suppliers to ensure their compliance and continuous improvements.

Product Responsibility

The Group has a Product Responsibility Policy to managing customer satisfaction as well as health and safety, in addition to maintaining information privacy to protect the rights of its customers.

Quality and Safety Management

The Group regards the assurance of product quality as an important part of its product responsibility. It operates with a strict selection of products that undergo rigorous quality assessments. All products have obtained internationally recognised certifications, including China Compulsory Certification, Korea Certification Mark, Regulatory Compliance Mark, Product Safety Electrical Appliance & Material Mark and the CE Mark. The Group also monitors and reviews the health and safety items of products, such as the concentrations of the Substances of Very High Concern.

Entering the after-sales phase, in order to further protect the safety and health of users, the Group provides a one-year warranty on products. Within the warranty period, customers could exchange faulty products with valid reasons for free. Quality Assurance Department and the Research and Development Department will conduct investigation on the returned faulty products to mitigate such defects in future.

During the reporting year, the Group did not receive any claims of or handle any cases of product recalls for safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Satisfaction

The Group places emphasis on establishing a smooth communication channel with its customers to meet their needs and to maintain long-term relationships. It pays considerable attention to customers' experience of the Group's products and business operations. Complaints and suggestions collected through various communication channels, such as customer service email, will be followed up by the customer service staff to improve products and services. During the reporting year, there were no products or services related complaints received.

Intellectual Property rights

The Group recognises the importance of intellectual property protection. The Employee Handbook provides guidelines on intellectual property protection of the Group's assets, including logos, patents, trademarks, copyrights and etc.

The Group respects the protection of intellectual property rights of others as well. Each employee is required to ensure that all copyright documents and other materials produced by him/her will be original and will not infringe the rights of any third party.

Data Privacy

The Group complies with the laws on the protection of privacy by stating in the Employee Handbook that employees must protect the customer information of the Group. Moreover, while the Group makes use of communications and information systems to collect, store and disseminate information for its operations, it fully understands that customers may still feel apprehensive about their data privacy. The Employee Handbook also stipulates regulations on the use of communication and information system, to prevent any misuse or misappropriation of the system, and ensure personal data is managed in a proper and secure manner.

The Group's business does not involve direct advertising and marketing activities. If advertising and marketing promotion is needed in future, the Group will devise an advertising policy to improve the procedures for monitoring the advertising media, determining and reviewing advertising content as well as handling complaints related to advertisements.

Anti-corruption

Anti-corruption is already one of the basic principles for the international community to define corporate social responsibility. The Group has a set of established codes of conduct stipulated in the Employee Handbook, requiring employees to declare any conflict of interest, prohibit employees to receive or accept gifts or other benefits without notifying their Manager and/or the Legal and Compliance Department. In addition, suppliers shall be assessed to ensure that the highest standards of ethics have been observed. The relevant guidelines can be found in the Group's Supply Chain Management Policy.

To supervise employees to act in accordance with the Group's regulations and requirements, the Group has a Whistleblowing Policy in place. In case any contraventions of the Group's code of conduct or anti-corruption policies are found, employees are encouraged to report such contraventions to the appropriate person or department in charge. The Group undertakes that all whistleblowers will be protected from reprisals or victimisation.

The Group abides by all related environmental laws and regulations in its daily operations, including Personal Data (Privacy) Ordinance and Prevention of Bribery Ordinance. During the reporting year, the Group did not have any cases of noncompliance on product responsivity and anti-corruption, or corruption lawsuits related to the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

	Type	Amount (kg)
Air emissions	Nitrogen oxides (NOx)	4.50
	Sulphur oxides (SOx)	0.01
	Respirable suspended particulates	0.41

Scope	Source	Amount (tonnes CO_2-e)
Scope 1: Direct greenhouse gas emissions	Mobile sources combustion	2.3
Scope 2: Indirect greenhouse gas emissions from energy usage	Purchased electricity	51.3
Scope 3: Other indirect greenhouse gas emissions	Paper waste disposed	468.6
	Business travel by air	66.5
Greenhouse gas emissions in total		588.7
Greenhouse gas intensity (tonnes CO2-e/employee)		15.911

	Type	Amount (tonnes)	Intensity (tonnes/employee)
Waste	Hazardous waste	0.000	0.000
	Non-hazardous waste	0.85	0.023

	Type	Amount (MWh)
Energy	Petrol	4.2
	Diesel	4.1
	Electricity	64.8
	Total energy consumption	73.1
	Energy intensity (MWh/employee)	1.977

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Performance

	Category	Total
Number of employees[2]	**By age group**	
	Below 30	4
	30 to 40	14
	41 to 50	11
	Above 50	5
	By gender	
	Male	24
	Female	10
	Total number of employees	34
	Ratio of male employees to female employees	2.4:1

Ratio of remuneration of male employees to female employees	1:1

	Category	Total	Rate
New Employees	**By age group**		
	Below 30	1	25.0%
	30 to 40	2	14.3%
	41 to 50	1	9.1%
	Above 50	0	0
	By gender		
	Male	3	12.5%
	Female	1	10.0%
	Total number of new employees	4	
	New employees as a percentage of total number of employees	11.8%	

2 All employees are full-time, and hired in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Category	Total	Rate
Employee Turnover	**By age group**		
	Below 30	0	0
	30 to 40	4	26.7%
	41 to 50	0	0
	Above 50	0	0
	By gender		
	Male	1	4.3%
	Female	3	27.3%
	Total employee turnover	4	
	Employee turnover rate	11.8%	

	Employment category	Number of male employees	Percentage of male employees trained	Number of female employees	Percentage of female employees trained
Number of employees trained	C-level executives	2	100.0%	0	N/A
	Senior management	2	50.0%	1	0
	Middle management	9	0	2	0
	General employees	11	0	7	0
	Total	24	12.5%	10	0

	Number of work injury cases	Lost days due to work injury	Number and rate of work-related fatalities
Health and safety	0	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	21, 23
A1.1	The types of emissions and respective emissions data.	28
A1.2	Greenhouse gas emissions in total and intensity.	28
A1.3	Total hazardous waste produced and intensity.	28
A1.4	Total non-hazardous waste produced and intensity.	28
A1.5	Description of measures to mitigate emissions and results achieved.	22
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	22
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	21
A2.1	Direct and/or indirect energy consumption by type and intensity.	28
A2.2	Water consumption in total and intensity.	22
A2.3	Description of energy use efficiency initiatives and results achieved.	21
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	22
A2.5	Total packaging material used for finished products and intensity.	22
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	21
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	23

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Aspect	Content	Page Index
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	24, 25
B1.1	Total workforce by gender, employment type, age group and geographical region.	29
B1.2	Employee turnover rate by gender, age group and geographical region.	30
GRI 401-1	Total number and rate of new employee hires by gender, age group and geographical region.	29
GRI 405-2	Ratio of the basic salary and remuneration of women to men for each employee category.	29
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	24
B2.1	Number and rate of work-related fatalities.	30
B2.2	Lost days due to work injury.	30
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	24
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	23
B3.1	Percentage of employees trained by gender and employee category.	30

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Aspect	Content	Page Index
B. Social		
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	25
B4.1	Description of measures to review employment practices to avoid child and forced labour.	25
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	26
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	26, 27
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	26
B6.2	Number of products and service related complaints received and how they are dealt with.	27
B6.3	Description of practices relating to observing and protecting intellectual property rights.	27
B6.4	Description of quality assurance process and recall procedures.	26
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	27
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	27
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	27
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	27
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	25
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	25

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company (the "**Shareholders**").

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2019 and up to the date of this annual report. During the year ended 31 March 2019, the Directors considered that the Company has complied with the CG Code except for the deviations from code provision A.2.1 of the CG code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and CEO of the Company which provides a balance of power and authority. And therefore, pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, in view of Mr. Tam Yat Ming Andrew, being the founder of the Group, with his experience and roles performed in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Tam Yat Ming Andrew acts as the Chairman and continues to act as the CEO.

The Directors consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of power by the Board and the effective functions of the independent non-executive Directors. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding Directors' securities transactions adopted by the Company during the year ended 31 March 2019.

BOARD OF DIRECTORS

Functions of the Board

The Board is primarily responsible for overseeing the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

CORPORATE GOVERNANCE REPORT

Delegation by the Board

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate.

The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

Composition

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive directors) so that there is an independent element on the Board, which can effectively exercise independent judgment, and that non-executive Directors should be of sufficient calibre and number for their views to carry weight.

As at the date of this report, the Board comprises the following five Directors:

Executive Directors

Mr. Tam Yat Ming Andrew *(Chairman and Chief Executive Officer)*
Mr. Yeung Wun Tang Andy *(Chief Operating Officer)*

Independent Non-executive Directors ("INED")

Mr. Chu Yin Kam
Mr. Ha Yiu Wing
Dr. Wilson Lee

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this report. There was no financial, business, family or other material/relevant relationship among the Directors.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive directors have brought in a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive directors will make various contributions to 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 guidelines set out in Rule 5.09 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their knowledge and skills relating to their duties and responsibilities.

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Tam Yat Ming Andrew, Mr. Yeung Wun Tang Andy, Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers during the year ended 31 March 2019.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

NOMINATION POLICY

The Board approved and adopted a nomination policy of the Company ("**Nomination Policy**") setting out the guidelines for the administration of the nomination, evaluation and termination of each Board member. Nomination Policy shall be administered by the Board, and the Board shall commission the Nomination Committee to revise, replace, or abolish any term in the Nomination Policy, and delegate the Nomination Committee to execute the functions of appointment and termination under the Nomination Policy.

The Board shall consist of the number and ratio of Directors as required by the Articles of Association and the Listing Rules, and shall be composed of members with balance of skills, experience and diversity of perspectives. All Board appointments will be based on meritocracy, and with respect to the selection of candidates, the Board should consider the board diversity from a number of aspects including but not limited to gender, skill and length of service etc as well as the contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and such letter of appointment may be terminated by either party giving at least three months' notice in writing. Also, the independent non-executive Directors are subject to re-election on retirement by rotation at the annual general meeting (the "**AGM**") in accordance with the Articles of Association of the Company.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors namely Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 March 2019.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held during the year ended 31 March 2019 is set out in the table below:

	Number of meetings held during the year ended 31 March 2019 Attended/Eligible to attend			
	Board Meeting	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meetings held	4	6	1	1
Executive Directors				
Mr. Tam Yat Ming Andrew *(Chairman and Chief Executive Officer)*	4/4	N/A	N/A	1/1
Mr. Yeung Wun Tang Andy *(Chief Operating Officer)*	4/4	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Chu Yin Kam	4/4	6/6	1/1	N/A
Mr. Ha Yiu Wing	4/4	6/6	1/1	1/1
Dr. Wilson Lee	4/4	6/6	1/1	1/1
Average attendance rate	100%	100%	100%	100%

BOARD COMMITTEES

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties. The written terms of reference for Board Committees are posted on the respective websites of the GEM and the Company.

CORPORATE GOVERNANCE REPORT

Audit Committee

Our Company established an Audit Committee pursuant to a resolution of our Directors passed on 22 December 2017 in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, the risk management and internal control systems, effectiveness of the internal audit function, scope of audit and relationship with external auditors, and arrangements that enable employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters of the Company and performing the Company's corporate governance functions. At present, the Audit Committee of our Company consists of three members who are Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Chu Yin Kam is the chairman of the Audit Committee.

During the year ended 31 March 2019, the Audit Committee held 6 meetings, at which it has reviewed and discussed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function. The Audit Committee has also recommended to the Board to consider the re- appointment of BDO Limited as the Company's external independent auditors at the forthcoming AGM.

Remuneration Committee

Our Company established a Remuneration Committee on 22 December 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure of all Directors and senior management of our Group; to review performance-based remuneration; and to ensure none of our Directors or any of their associates determine their own remuneration. As at the reporting date, the Remuneration Committee consists of three members, namely Mr. Tam Yat Ming Andrew, Mr. Ha Yiu Wing and Dr. Wilson Lee. Dr. Wilson Lee is the chairman of the Remuneration Committee.

During the year ended 31 March 2019, the Remuneration Committee held one meeting, at which it reviewed the remuneration policy and structure for as well as the remuneration packages of all Directors and the senior management. No Director was involved in deciding his/her own remuneration.

The annual remuneration of the members of the current senior management of the Group by band as at the reporting date is set out below:

Emoluments Band	Number of individuals
HK$0 to HK$1,000,000	3

CORPORATE GOVERNANCE REPORT

Nomination Committee

Our Company established a Nomination Committee on 22 December 2017 with written terms of reference in compliance with paragraph A.5 of the Code of Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; make recommendations to our Board on the appointment or re-appointment of Directors and review the policy on the board diversity. As at the date of this report, the Nomination Committee consists of three members, namely Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Ha Yiu Wing is the chairman of the Nomination Committee.

During the year ended 31 March 2019, the Nomination Committee held one meeting, at which it (i) assessed the independence of the INEDs, and (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM.

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 March 2019 and 31 March 2018, BDO Limited was engaged as the Group's independent auditors. Apart from the provision of annual audit services, BDO Limited and BDO Tax Limited also provided the non-audit services in relation to the Listing.

The remuneration paid/payable to BDO Limited and BDO Tax Limited for the year ended 31 March 2019 and 31 March 2018 are set out below:

Category of services	**2019 Amounts HK$**	2018 Amounts HK$
BDO Limited		
Audit services — Annual audit	**850,000**	820,000
Non-audit services — Reporting accountants fee relating to the Listing	**—**	860,000
Sub-total	**850,000**	1,680,000
BDO Tax Limited		
Non-audit services — Tax services fee relating to the Listing	**100,000**	568,000
Total	**950,000**	2,248,000

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless the Company engaged an external professional firm to carry out internal audit functions. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

During the year ended 31 March 2019, the Board, through the Audit Committee, conducted an annual review on the effectiveness of both the design and implementation of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the year ended 31 March 2019, the Group appointed Zhonghui Anda Risk Services Limited ("**Zhonghui**") to:

— assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

— independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Zhonghui to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Zhonghui as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the Hong Kong Financial Reporting Standards have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report.

COMPANY SECRETARY

Mr. Chau Wing Wo ("**Mr. Chau**") was appointed as the Company Secretary on 14 July 2017 and resigned on 22 March 2019. He is responsible for facilitating the Board meeting process, as well as communications among Board members, shareholders and management. His biographical details are set out in section headed "Directors and Senior Management" above of this section. For the year ended 31 March 2019, Mr. Chau has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of GEM Listing Rules.

Mr. Lee Pui Chung ("**Mr. Lee**") was appointed as the Company Secretary on 22 March 2019. He is responsible for facilitating the Board meeting process, as well as communications among Board members, shareholders and management. His biographical details are set out in section headed "Directors and Senior Management" above of this section. For the year ended 31 March 2019, Mr. Lee has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of GEM Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy on 30 January 2019 (the "**Dividend Policy**"). According to the Dividend Policy, it is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) 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 Group; and

CORPORATE GOVERNANCE REPORT

(f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the Cayman Island laws and the Company's articles of association.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earning, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting (the "EGM")

Pursuant to the Article 58 of the Article of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for directing Shareholders' enquires to the Board

Shareholders may at anytime send their enquiries and concerns to the Board in writing through the Company Secretary at the principal place of business of the Company in Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

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 in printed form and are available on the GEM website "www.hkgem.com" and the Company's website at "www.ims512.com";

CORPORATE GOVERNANCE REPORT

(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 special 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.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated memorandum and articles of association (the "**M&A**") by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 22 December 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the year ended 31 March 2019.

The amended and restated M&A is available on the respective websites of the GEM and the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holdings. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2019 as required by Schedule 5 to the Companies Ordinance (Cap 622 of the Laws of Hong Kong), including a fair review of the Group's business and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 9 to 17 of this annual report which forms part of the report of the directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The management considers that the following are the principal risks and uncertainties faced by the Group:

(a) the key businesses of the Group are project based and we may be unable to compete effectively or secure new contracts upon the completion of our contracts on hand;

(b) failure to accurately estimate the time and costs required for projects by the Group may lead to cost overruns or even losses in our projects;

(c) the Group's performance is dependent on global economic conditions and the retail performance of luxury goods; and

(d) the Group may not remain on its customers' list of approved supplier, which may lead to a decrease in sales to certain end-user luxury brands.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group fully understands that shareholders, customers, suppliers, subcontractors and staff are the key to our sustainable and stable development. We are committed to establishing a close relationship with our shareholders and staff, enhancing cooperation with our suppliers and subcontractors and providing value-added services to our customers so as to ensure the Group's sustainable development.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has been putting unremitting efforts in environmental protection by introducing energy-saving LED lighting fixtures.

Further discussions on the environmental policies are set out in the Environmental, Social and Governance Report on pages 18 to 33 of this annual report which forms part of the report of the directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2019 and up to the date of this report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group during the year ended 31 March 2019 and up to the date of this report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 61 to 129 of this annual report. The Directors do not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the past four financial years, as extracted from the audited consolidated financial statements or the Prospectus of the Company, is set out on page 130 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENT

Save as the conditionally adopted Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

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

The Directors confirm that during the year ended 31 March 2019 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 63 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company has distributable reserves of approximately HK$10,436,000 available for distribution to shareholders of the Company (2018: approximately HK$6,023,000).

CHARITABLE DONATION

During the year ended 31 March 2019, the Group made donations amounting to approximately HK$35,000 (2018: HK$ Nil).

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year, the Group did not have any significant transactions with its related parties or transactions which constituted connected transactions pursuant to Chapter 20 of the GEM Listing Rule.

MAJOR CUSTOMERS AND SUPPLIERS AND SUBCONTRACTORS

During the year, sales to the Group's five largest customers accounted for 58.4% of the total sales for the year and sales to the largest customer included therein amounted to 22.4%. Purchases from the Group's five largest suppliers and subcontractors amounted to 96.3% of the total purchases for the year and purchase from the largest supplier and subcontractor included therein amounted to 56.4%.

As far as the Directors are aware, none of the Directors of the Company or any of their associates or any 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 and suppliers and subcontractors.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year ended 31 March 2019 and up to the date of this annual report are:

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew *(Chairman and Chief Executive Officer)*
Mr. Yeung Wun Tang Andy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam
Mr. Ha Yiu Wing
Dr. Wilson Lee

In accordance with Article 84(1) of the Company's Articles of Association, Mr. Chu Yin Kam and Dr. Wilson Lee will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 6 to 8 of this annual report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving not less than three months' written notice on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving not less than three months' written notice on the other.

Saved as disclosed above, none of the directors who proposed to be re-elected at the forthcoming AGM has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. The emoluments of other Directors are determined by the board of directors and the remuneration committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group. Details of remuneration of the directors are set out in note 11 to the consolidated financial statements.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits in kind and other compensation payable to the Directors and senior management, after consultation with the Chairman and the CEO.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group.

Details of the Directors' remuneration and the five highest paid individuals are set out in note 11 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the year, no Director or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company (as defined under GEM Listing Rules) (the "**Controlling Shareholders**") during the year ended 31 March 2019.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures of the Company and our associated corporations

As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares of the Company

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Yeung Wun Tang Andy	Interest in controlled corporation [1]/	337,500,000	33.75%
	Interest held jointly with another person [3]	412,500,000	41.25%
Mr. Tam Yat Ming Andrew	Interest in controlled corporation [2]/	412,500,000	41.25%
	Interest held jointly with another person [3]	337,500,000	33.75%

REPORT OF THE DIRECTORS

Notes:

(1) 337,500,000 Shares are held by Mr. Yeung Wun Tang Andy ("**Mr. Yeung**") indirectly through Eight Dimensions Investment Limited ("**Eight Dimensions**"), which is wholly-owned by Mr. Yeung.

(2) 412,500,000 Shares are held by Mr. Tam Yat Ming Andrew ("**Mr. Tam**") indirectly through The Garage Investment Limited ("**Garage Investment**"), which is wholly-owned by Mr. Tam.

(3) On 25 August 2017, Eight Dimensions, Mr. Yeung, Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company as at the Latest Practicable Date by virtue of the SFO.

Long position in the Shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Yeung Wun Tang Andy	Eight Dimensions	Beneficial owner	1	100.00%
Mr. Tam Yat Ming Andrew	Garage Investment	Beneficial owner	1	100.00%

Save as disclosed above and so far as is known to the Directors, as at the date of this report, none of the Directors nor chief executive of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

(b) Interests and short positions of substantial shareholders in the Shares, Underlying Shares and debentures of the Company

As at the date of this report, so far as is known to the Directors, the following entities and individuals (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in the Shares

Name	Nature of interest	Number of Shares	Percentage of shareholding
Eight Dimensions	Beneficial owner/	337,500,000	33.75%
	Interest held jointly with another person[1]	412,500,000	41.25%
Garage Investment	Beneficial owner/	412,500,000	41.25%
	Interest held jointly with another person[1]	337,500,000	33.75%

Note:

(1) On 25 August 2017, Eight Dimensions, Mr. Yeung, Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company as at the Latest Practicable Date by virtue of the SFO.

Save as disclosed above and so far as is known to the Directors, as at the date of this report, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of interests - Interests and short positions of Directors and chief executive in Shares, underlying Shares and debentures of the Company and our associated corporations" above, had any interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

On 22 December 2017, the Share Option Scheme was approved and conditionally adopted by the then shareholders of the Company by way of written resolutions.

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board decides to the following persons ("**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options has been duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration.

REPORT OF THE DIRECTORS

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 100,000,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by the Shareholders in general meeting.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

(f) Price of Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall be at the absolute discretion of the Board, provided that it shall be not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

(g) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of the Company (the "**Adoption Date**"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which an offer of option is made to an Eligible Participant.

No share options have been granted by the Company under the Share Option Scheme since its adoption.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2019 was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTEREST IN COMPETING BUSINESSES

The controlling shareholders (as defined under GEM Listing Rules) of the Company have entered into the deed of non-competition dated 5 January 2018 (the "**Deed of Non-competition**") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the controlling shareholders have undertaken to the Company (for itself and as trustee for each of our subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of the Group) shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in Hong Kong or such other places as the Group may conduct or carry on business from time to time.

During the year ended 31 March 2019 and up to the date of this report, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group. The controlling shareholders of the Company have confirmed to the Company that from the Listing Date to the date of this report, they and their respective close associates (as defined under GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

Save as disclosed above, during the year and up to the date of this report, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited ("**Kingsway**") as the compliance adviser. Kingsway, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 15 June 2017, neither Kingsway nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient public float of at least 25% of the issued Shares as required under the GEM Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 34 to 43 of the annual report.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after the reporting period and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2019 were audited by BDO Limited, the independent auditor, who shall retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor and to authorise the Directors to fix its remuneration.

On behalf of the Board of
IMS Group Holdings Limited
Tam Yat Ming Andrew
Chairman and Chief Executive Officer

Hong Kong, 28 June 2019

INDEPENDENT AUDITOR'S REPORT

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TO THE DIRECTORS OF IMS GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IMS Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 61 to 129, 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT

PROVISION FOR EXPECTED CREDIT LOSSES ("ECLS") OF TRADE RECEIVABLES

Refer to Note 19(a) to the consolidated financial statements

The Group has trade receivables of HK$23,409,000 before expected credit loss as of 31 March 2019. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. In determining the estimated credit loss allowance for the Group's trade receivables as at year end, management has considered various factors such as the age of the outstanding balances, historical payment and credit loss patterns as well as the forecast of future macro-economic conditions over the expected life of the Group's trade receivables, which require significant management judgement. Accordingly, we determined that this is a key audit matter. Trade receivables are disclosed in Note 19 to the consolidated financial statements.

Our response:

Our key procedures in relation to management's judgment and uses of estimates on ECLs assessment of trade receivables included:

- We assessed the Group's processes and key controls relating to the monitoring of trade receivables, including the process in determining whether a specific debtor is credit-impaired.

- We also considered the ageing of the receivables to identify collection risks.

- We evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments.

- We requested trade receivable confirmations, and reviewed for collectability by way of obtaining evidence of subsequent receipts from the selected trade receivables.

- We had discussions with management on their assessment of the recoverability of long outstanding trade receivables, analysed trend of collections and assessed management's assumptions used to determine expected credit losses for such trade receivables notably through consideration of their specific profiles and risks.

Based on the evidence available, we consider the judgement applied by management in assessing the recoverability and determination of the expected credit loss of trade receivables to be reasonable.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "**Audit Committee**") assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the directors, 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 the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate no. P03752

Hong Kong, 28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**75,082**	65,946
Direct costs		**(36,975)**	(31,588)
Gross profit		**38,107**	34,358
Other income	7	**47**	97
Other gains and losses, net	7	**68**	(16)
Administrative expenses		**(24,341)**	(20,962)
Expected credit loss on trade receivable		**(1,184)**	—
Finance costs	8	**—**	(147)
Listing expenses		**—**	(13,105)
Profit before income tax expense	9	**12,697**	225
Income tax expense	12	**(6,111)**	(3,750)
Profit/(loss) for the year and attributable to owners of the Company		**6,586**	(3,525)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(746)**	803
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**(746)**	803
Total comprehensive income for the year and attributable to owners of the Company		**5,840**	(2,722)
Earnings/(loss) per share			
Basic and diluted	14	**HK cents 0.66**	HK cents (0.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**414**	752
Intangible asset	16	**238**	—
Deposit paid under operating leases	19	**32**	640
		684	1,392
Current assets			
Inventories	18	**1,065**	552
Trade and other receivables	19	**18,095**	15,736
Tax recoverable		**309**	3,113
Cash and cash equivalents	20	**59,150**	55,238
		78,619	74,639
Total assets		**79,303**	76,031
Current liabilities			
Trade and other payables	21	**9,493**	13,441
Contract liabilities	22	**3,296**	—
Deferred income	23	**—**	231
Current tax liabilities		**2,542**	2,032
		15,331	15,704
Net current assets		**63,288**	58,935
Total assets less current liabilities		**63,972**	60,327
Non-current liabilities			
Other payables	21	**114**	164
Contract liabilities	22	**172**	—
Deferred income	23	**—**	144
Deferred tax liabilities	17	**—**	—
		286	308
Total liabilities		**15,617**	16,012
NET ASSETS		**63,686**	60,019
Equity			
Share capital	25	**1,000**	1,000
Reserves	26	**62,686**	59,019
TOTAL EQUITY		**63,686**	60,019

On behalf of the board of directors

Mr. Tam Yat Ming Andrew
Director

Mr. Yeung Wun Tang Andy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** (Note 26(i)) HK$'000	**Merger reserve** (Note 26(ii)) HK$'000	**Exchange reserve** (Note 26(iii)) HK$'000	**Statutory surplus reserve** (Note 26(iv)) HK$'000	**Retained profits** (Note 26(v)) HK$'000	**Total** HK$'000
As at 1 April 2017	—[1]	—	8	(85)	250	10,622	10,795
Loss for the year	—	—	—	—	—	(3,525)	(3,525)
Transfer to Statutory surplus reserve	—	—	—	—	1,074	(1,074)	—
Exchange differences on translating foreign operations	—	—	—	803	—	—	803
Total comprehensive income for the year	—	—	—	803	1,074	(4,599)	(2,722)
Issue of shares under group reorganisation (Note 25(ii))	—[1]	—	—	—	—	—	—[1]
Capitalisation issue of shares (Note 25(iv))	750	(750)	—	—	—	—	—
Issue of shares by way of public offer and placing (Note 25(v))	250	62,250	—	—	—	—	62,500
Share issuance expenses	—	(10,554)	—	—	—	—	(10,554)
As at 31 March 2018	1,000	50,946	8	718	1,324	6,023	60,019
Initial application of HKFRS 9 (Note 2)	—	—	—	—	—	(2,173)	(2,173)
As at 1 April 2018	1,000	50,946	8	718	1,324	3,850	57,846
Profit for the year	—	—	—	—	—	6,586	6,586
Transfer to Statutory surplus reserve	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	—	(746)	—	—	(746)
Total comprehensive income for the year	—	—	—	(746)	—	6,586	5,840
Issue of shares under group reorganisation (Note 25(ii))	—	—	—	—	—	—	—
Capitalisation issue of shares (Note 25(iv))	—	—	—	—	—	—	—
Issue of shares by way of public offer and placing (Note 25(v))	—	—	—	—	—	—	—
Share issuance expenses	—	—	—	—	—	—	—
As at 31 March 2019	1,000	50,946	8	(28)	1,324	10,436	63,686

[1] Represents amount less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before income tax expense		**12,697**	225
Adjustments for:			
Depreciation and amortisation	9	**455**	426
Interest income	7	**(46)**	(81)
Unrealised exchange (gain)/loss, net		**(68)**	82
Finance costs	8	**—**	147
Expected credit loss on trade receivables	9	**1,184**	—
Provision of impairment of trade receivables		**—**	725
Reversal of impairment on trade receivables previously recognised	9	**—**	(66)
Operating profit before working capital changes		**14,222**	1,458
(Increase)/decrease in trade and other receivables		**(5,114)**	1,366
(Increase)/decrease in inventories		**(513)**	21
Decrease in trade and other payables		**(3,678)**	(3,540)
Increase in contract liabilities		**3,468**	—
(Decrease)/increase in deferred income		**(375)**	199
Cash generated from/(used in) operations		**8,010**	(496)
Income tax paid		**(2,795)**	(7,937)
Net cash generated from/(used in) operating activities		**5,215**	(8,433)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(85)**	(593)
Purchase of intangible asset	16	**(271)**	—
Interest received	7	**46**	81
Net cash used in investing activities		**(310)**	(512)
Cash flows from financing activities			
Proceeds from issue of shares		**—**	62,500
Share issuance expenses		**—**	(10,554)
Proceeds from bank borrowing		**—**	1,920
Repayment of bank borrowing		**—**	(1,920)
Interest paid	8	**—**	(147)
Dividend paid	13	**—**	(20,000)
Net cash generated from financing activities	31	**—**	31,799
Net increase in cash and cash equivalents		**4,905**	22,854
Effect of exchange rate changes on cash and cash equivalents		**(993)**	629
Cash and cash equivalents at beginning of year		**55,238**	31,755
Cash and cash equivalents at end of year	20	**59,150**	55,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

1. GENERAL

The Company was incorporated in the Cayman Islands on 15 February 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. On 13 October 2017, the principal place of business are changed from Unit 1201, Block C, Seaview Estate, No.8 Watson Road, Hong Kong to Room 1801, 18/F, 148 Electric Road, Fortress Hill, Hong Kong.

The Company listed its shares on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 January 2018.

The Company, is an investment holding company, and its subsidiaries (together referred to the "**Group**") are principally engaged in the sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services, project and consultancy and LED lighting system maintenance services (the "**Business**").

The following list contains the particulars of all subsidiaries of the Group:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and a principal place of business
		Direct	Indirect		
Pangaea Holdings Limited ("**Pangaea**")	The BVI, 14 May 2014, limited liability company	100%	–	US$1,000 divided into 1,000 shares of US$1 each	Investment holding, Hong Kong
MISG Investment Limited ("**MISG Investment**")	The BVI, 16 February 2017, limited liability company	100%	–	US$1 divided into 1 share of US$1	Investment holding, Hong Kong
MIS Technology Consultants Limited ("**MIS Technology Consultants**")	Hong Kong, 29 April 1998, limited liability company	100%	–	Ordinary shares of HK$100	Provision of management services to group companies, Hong Kong
MIS Technology Project Limited ("**MIS Technology Project**")	Hong Kong, 3 September 1999, limited liability company	–	100%	Ordinary shares of HK$100	Sale of visual-audio system and provision of system maintenance services, Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

1. GENERAL *(Continued)*

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Issued and fully paid ordinary share capital or registered capital	Principal activities and a principal place of business
IMS 512 Limited ("**IMS 512**")	Hong Kong, 2 April 2003, limited liability company	–	100%	Ordinary shares of HK$1,000	Sale of lighting fixtures, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services, Hong Kong
IMS Contracting Limited ("**IMS Contracting**")	Hong Kong, 30 May 2014, limited liability company	–	100%	Ordinary shares of HK$10,000	Dormant, Hong Kong
Bluelite Concept Limited ("**Bluelite Concept**")	Hong Kong, 15 December 2009, limited liability company	–	100%	Ordinary shares of HK$1,000,000	Sale of LED lighting fixtures and provision of integrated LED lighting solution services, Hong Kong
Bluelite Illumination Limited ("**Bluelite Illumination**")	Hong Kong, 30 May 2014, limited liability company	–	100%	Ordinary shares of HK$10,000	Sale of lighting fixtures, Hong Kong
CT 2015 Limited ("**CT 2015**")	Hong Kong, 20 April 2015, limited liability company	–	100%	Ordinary shares of HK$10,000	Investment holding, Hong Kong
Shenzhen CH Alliance Trading Co. Ltd., 深圳創恒聯盟貿易有限公司 ("**Shenzhen Chuangheng**")	The People's Republic of China (the "**PRC**") 16 September 2015, limited liability company	–	100%	HK$500,000 divided into 500,000 shares of HK$1 each	Sale of LED lighting fixtures and related services, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

A. HKFRS 9 — Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for the Group's annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) transition. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the adjustments to the amount recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it supersedes HKAS 39's categories of held-to-maturity investment, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments *(Continued)*

A financial asset is measured at amortised cost only if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if the equity investment is not held for trading.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

There is no change in the classification and measurement of the Group's financial liabilities and the liabilities are continued to be measured at amortised cost at the date of transition.

The accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments *(Continued)*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$	Carrying amount as at 1 April 2018 under HKFRS 9 HK$
Trade and other receivables	Loans and receivables (Note 2(a)A(ii))	Financial assets at amortised cost	15,736	13,563
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	55,238	55,238

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECL for trade and other receivables, financial assets at amortised cost, contract assets and debt investments at FVTPL earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

The Group applies the new ECL model to the following items:

— Financial assets at amortised cost; and
— Contract assets.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

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

Measurement of ECLs *(Continued)*

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs for trade receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL. The 12-month ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 ECL model at 1 April 2018:

	Impairment allowance under HKAS 39 HK$'000	Additional ECL recognised as at 1 April 2018 HK$'000	Impairment allowance under HKFRS 9 HK$'000
As at 1 April 2018	3,853	2,173	6,026

The adjustment on the opening retained earnings as at 1 April 2018 amounted to HK$2,173,000.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. *HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)*

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information may not be comparable as those was prepared under HKAS 39.

B. *HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")*

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The directors consider that the application of HKFRS 15 may have a material impact on the timing and amounts of revenue the Group will recognise on it contract with customers. However, there is no material impact to the current year consolidated financial statements.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. Based on the assessment of the Group, no adjustments to the opening balance of equity at 1 April 2018 have been made on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's provision of various goods and services are set out below:

Note	Product/service	Nature of provision of goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(i)	Sale of LED lighting products and visual-audio systems	Revenue from sale of LED lighting products and visual-audio systems is recognised at point in time when the goods are delivered to, and have been accepted by, customers. Invoices for these service income are issued on delivery of goods.	HKFRS 15 did not result in significant impact on the Group's accounting policies.
(ii)	Income from integrated LED lighting solution	Revenue from sale of integrated LED lighting solution is recognised over time based on input method. The Company satisfies its only performance obligation by completing the installation of LED projects to customers.	HKFRS 15 would have a significant impact on the Group's revenue recognition policy. However, there was no incomplete project brought forward from 31 March 2018 or at 31 March 2019. Therefore, there is no accumulative impact to the consolidated financial statements for the years ended 31 March 2018 and 2019 at the point of the initial adoption of HKFRS 15.
(iii)	Consultancy service income and maintenance service income	LED lighting system consultation and maintenance services, which provide services over a length of time. Thus, the customers can obtain the benefit over a length of time and the Group would recognise the revenue over time accordingly. Invoices for consultancy and maintenance services are issued on a periodical basis.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Timing of revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;
— creates and enhances an asset that the customer controls as the Group performs; or
— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

— direct measurements of the value transferred by the Group to the customer; or
— the Group's efforts or inputs to the satisfaction of the performance obligation.

Incremental costs incurred directly attributable to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The adoption does not have a material impact on the recognition of the Group's main revenue streams except for commissions paid to staff for entering new sales contract.

The commission is an incremental cost of obtaining a new contract, and the Group expects to recover the cost of staff commissions through future fees charged to the customer. The Group applied practical expedient for the incremental cost. The Group recognise the incremental costs of obtaining a contract as an expense since the payment incurred is one year or less.

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. Management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. *HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)*

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

Considerations received from customers in advance of HK$3,242,000 previously included in other payables and accruals are now included under contract liabilities (Note 22).

The deferred revenue of HK$3,093,000 is in respect of the Group's maintenance services is now included under contract liabilities (Notes 22&23).

	As at 31 March 2019		
	Without adoption of HKFRS 15 HK$'000	Reclassifications under HKFRS 15 HK$'000	As reported HK$'000
Consolidated statement of financial position (extract)			
Trade and other payable	12,735	(3,242)	9,493
Deferred income	226	(226)	—
Contract liabilities	—	3,468	3,468
Consolidated statement of cash flows (extract)			
Operating profit before working capital changes:			
Trade and other payable	(706)	(3,242)	(3,948)
Deferred income	(149)	149	—
Contract liabilities	—	3,093	3,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Transition

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening accumulated profits at 1 April 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

C. Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

D. HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2020
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

The Group is in the process of making an assessment of the potential impacts of these new and revised HKFRSs on the financial statements of the Group in the initial application and the expected impacts on the Group's financial performance and position are set out below:

HKFRS 16 Lease

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 24 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and office equipment as at 31 March 2019 amounted to approximately HK$2,605,000. A preliminary assessment indicated that these arrangements will meet the definition of lease under HKFRS 16, the Group will recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

Amendments to HKAS 1 and HKAS 8

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

3. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are presented in HK dollar and all values are rounded to the nearest thousand except when otherwise indicated.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms
Office equipment	20%
Motor vehicles	20-25%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation is provided on a straight-line basis over their useful lives and recognised in profit or loss and included in administrative expenses as follows:

Computer software	5 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments

(A) Accounting policies applied from 1 April 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely 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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in 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 fair value through other comprehensive income. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Change in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses when the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 April 2018 (Continued)

(i) Financial assets *(Continued)*

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

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

(ii) Impairment loss on financial assets

The Group recognises loss allowances ECL on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 April 2018 (Continued)

(ii) Impairment loss on financial assets *(Continued)*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 April 2018 (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in profit or loss and other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 April 2018 *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 April 2018 (Continued)

(vi) Derecognition *(Continued)*

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(B) Accounting policies applied until 31 March 2018

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

(i) Financial assets

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(B) Accounting policies applied until 31 March 2018 *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and 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 (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined to be uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(B) Accounting policies applied until 31 March 2018 (Continued)

(iii) Financial liabilities

Financial liabilities include trade and other payables. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amoritsation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(B) Accounting policies applied until 31 March 2018 (Continued)

(vi) Derecognition *(Continued)*

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

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(f) Leasing

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

The total rentals payable under the operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Employee benefits

(i) Defined contribution retirement plan

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

The employees of the Group's subsidiary operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into presentation currency of the Group (i.e Hong Kong dollars) at the average exchanges rates for the year, unless exchange rates fluctuate significantly during the period. In which case, the rates approximate to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interest as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income accumulated in equity as foreign exchange reserve.

(i) Revenue recognition

(A) Accounting policies applied from 1 April 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service are transferred by the Group to customers or at a point in time or over time as follows:

Point in Time

(i) Sale of LED lighting products and visual-audio system is recognised when the goods are delivered

Over time

(ii) Income from integrated LED lighting solution

(iii) Consultancy service income and maintenance service income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 April 2018 (Continued)

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sale of LED lighting products and visual-audio systems (point in time)

Customers obtain control of the sale of LED lighting products and visual-audio systems products when the goods are delivered to and have been accepted. Therefore, revenue is recognised upon when the customers accepted the LED lighting products and visual-audio systems products.

(ii) Income from integrated LED lighting solution (over time)

The Company satisfies its performance obligation by completing the delivery and installation of LED projects to customers. The management would recognised over time based on input method.

(iii) Consultancy service income and maintenance service income (over time)

The revenue is from provision of LED lighting system consultation and maintenance services, which provide a services over a length of time. Thus, customers simultaneously receives and consumes the benefits for general LED lighting advisory and maintenance services over the time and the Group would recognise the revenue over the time accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition *(Continued)*

(B) Accounting policies applied until 31 March 2018

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(i) Income from integrated LED lighting solution

Income from integrated LED lighting solution projects is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the associated 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 to the estimated total contract costs;

(ii) Income from the Sale of LED lighting products and visual-audio systems, when the significant risks and rewards of ownership have been transferred to the customers;

(iii) Consultancy service income and maintenance service income is recognised in the period when the respective services are rendered;

(iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

Provision for warranty costs is made on an accrual basis by reference to the directors' best estimate of the expenditure required to settle the obligations taking account of the Group's recent claim history, and is charged to the income statement in the period in which the related sales are made. Subsequent expenditure on the settlement of such obligations is charged against the provision made, except where the expenditure exceeds the balance of the provision, in which case, it is charged to the income statement as incurred.

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

(n) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Related parties *(Continued)*

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(o) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bring the inventories to their present location and conditions. Cost is calculated using the first in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(p) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statement of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Income tax and deferred taxation

Significant judgement is required in determining whether or not the Group is subject to income taxes in the jurisdictions it operates. Transactions and calculations may exist for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has recognised income tax and deferred liabilities at the end of the reporting period based on its best estimate. Where the final income tax liabilities as determined by the tax authorities are different from the estimate, such differences in income taxes or deferred tax, if any, will need to be recognised in the period in which the determination is made.

(ii) Warranty provisions

As disclose in Note 21(b), the Group makes provision for warranties for its Integrated LED lighting solution services taking into account the Group's recent claim history. As the Group is continually improving product quality, it is possible that the recent claim history is not indicative of the extent of future claims the Group will need to settle in respect of past sales. Any increase or decrease in provision would affect the profit or loss of the Group in future years.

6. SEGMENT INFORMATION

Operating segments

During the year, the Group was principally engaged in sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("**Specified non-current assets**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

6. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The Group comprises the following major geographical segments:

	Revenue from external customers by customers' location	
	2019	2018
	HK$'000	HK$'000
Hong Kong (place of domicile)	**8,175**	11,383
Asia (excluding Hong Kong and the PRC)	**21,805**	23,436
The PRC	**43,830**	27,827
Europe	**434**	505
Others	**838**	2,795
	66,907	54,563
	75,082	65,946

	Specified non-current assets by assets' location	
	2019	2018
	HK$'000	HK$'000
Hong Kong (place of domicile)	**642**	735
The PRC	**10**	17
	652	752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	16,874	N/A
Customer B	8,343	N/A

Two customers accounted for 10% or more of the Group's total revenue for the year ended 31 March 2019 (2018: no customer).

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

Disaggregation of revenue from contracts with customers

For the year ended 31 March	Integrated LED lighting solution service		Sales of LED lighting and fixtures		Sales of visual-audio systems		LED lighting system consultation and maintenance services		Total	
	2019 HK$000	2018 HK$000	2019 HK$000	2018 HK$000	2019 HK$000	2018 HK$000	2019 HK$000	2018 HK$000	2019 HK$000	2018 HK$000
Primary geographical markets										
– Hong Kong	3,370	2,013	3,061	6,170	103	1,692	1,641	1,508	8,175	11,383
– Asia (Excluding HK & the PRC)	–	–	20,901	22,389	–	–	904	1,047	21,805	23,436
– PRC	–	–	43,825	27,827	–	–	5	–	43,830	27,827
– Europe	–	–	434	505	–	–	–	–	434	505
– Others	–	–	838	2,795	–	–	–	–	838	2,795
Total	3,370	2,013	69,059	59,686	103	1,692	2,550	2,555	75,082	65,946
Timing of revenue recognition										
Under HKFRS 15										
– At a point in time	–	–	69,059	–	103	–	–	–	69,162	–
– Over time	3,370	–	–	–	–	–	2,550	–	5,920	–
Under HKAS 18	–	2,013	–	59,686	–	1,692	–	2,555	–	65,946
	3,370	2,013	69,059	59,686	103	1,692	2,550	2,555	75,082	65,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue includes the net invoiced value of goods sold, project consultancy and maintenance services rendered and contracts on LED lighting solution projects earned by the Group. The amounts of each significant category of revenue recognised during the year are as follows:

Time of revenue recognition (within the scope of HKFRS 15)	2019 HK$'000	2018 HK$'000
Revenue — at a point of time		
Sale of LED lighting fixtures	69,059	59,686
Sale of visual-audio systems	103	1,692
Revenue — over time		
LED lighting system consultation and maintenance services	2,550	2,555
Integrated LED lighting solution services	3,370	2,013
	75,082	65,946

An analysis of the Group's other income and other gains and losses recognised during the year are as follows:

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	46	81
Sundry income	1	16
	47	97
Other gains and losses		
Reversal of impairment on trade receivables	—	66
Exchange gain/(loss), net	68	(82)
	68	(16)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowing	—	147

9. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000
Costs of inventories recognised as expenses	32,498	27,331
Auditor's remuneration	850	854
Depreciation/amortisation (Notes 15&16)	455	426
Operating lease rentals in respect of:		
— Land and buildings	2,473	2,173
— Plant and equipment	60	48
Expected credit losses on trade receivables (Note 19(a)), net	1,184	—
Provision of impairment of trade receivables (Note 19(a))	—	725
Reversal of impairment of trade receivables previously recognised (Note 19(a))	—	(66)
Listing expenses	—	13,105

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2019 HK$'000	2018 HK$'000
Fees, wages and salaries	17,651	15,452
Post-employment benefits — payment to defined contribution retirement plan	611	564
Other benefits	685	717
	18,947	16,733

Employee benefit expenses included an amount of HK$1,284,000 (2018: HK$1,018,000) charged to profit or loss as research and development expenditure for the year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Details of the directors' remuneration paid or payable for the year are as follows:

	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Contribution to defined contribution retirement plan HK$'000	Total HK$'000
Year ended 31 March 2019				
Executive directors:				
Mr. Tam Yat Ming Andrew	**—**	**2,138**	**18**	**2,156**
Mr. Yeung Wun Tang Andy	**—**	**1,944**	**18**	**1,962**
	—	**4,082**	**36**	**4,118**
Independent non-executive directors				
Mr. Chu Yin Kam*	**180**	**—**	**8**	**188**
Mr. Ha Yiu Wing*	**180**	**—**	**9**	**189**
Dr. Wilson Lee*	**180**	**—**	**9**	**189**
	540	**—**	**26**	**566**
	540	**4,082**	**62**	**4,684**
Year ended 31 March 2018				
Executive directors:				
Mr. Tam Yat Ming Andrew	—	1,770	18	1,788
Mr. Yeung Wun Tang Andy	—	1,770	18	1,788
	—	3,540	36	3,576
Independent non-executive directors				
Mr. Chu Yin Kam*	50	—	4	54
Mr. Ha Yiu Wing*	50	—	4	54
Dr. Wilson Lee*	50	—	4	54
	150	—	12	162
	150	3,540	48	3,738

* Appointed as the independent non-executive directors of the Company on 22 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(i) Directors' remuneration *(Continued)*

During the year, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2018: Nil).

(ii) Five highest paid individuals

The five highest paid individuals of the Group for the year ended 31 March 2019 included 2 directors (2018: 2) whose emoluments are set out in the analysis above. The remuneration of the remaining 3 (2018: 3) non director highest paid individuals is as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, bonuses and other allowances	2,013	2,497
Post-employment benefits — Contribution to defined contribution retirement plan	54	44
	2,067	2,541

Their remuneration fell within the following bands:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	—	1

During the year, none of the non director highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the non director highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2018: Nil).

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to senior management (excluding the directors) are within the following bands:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	4	2

The emoluments of 2 (2018: 1) members of senior management are included in the remuneration of the three non director highest paid individuals set out in Note 11 (ii) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong profits tax		
— current year	—	401
— under provision in respect of prior years	84	138
	84	539
Current tax — overseas Enterprise Income Tax		
— current year	6,027	3,246
	6,027	3,246
Deferred tax credit (Note 17)	—	(35)
Income tax expense	6,111	3,750

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits during the year.

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 gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% (2018: 16.5%). The profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

12. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before income tax expense	**12,697**	225
Tax calculated at the applicable statutory tax rate of 16.5%	**2,095**	37
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**1,897**	1,134
Tax effect of income not subject to tax	**(12)**	—
Tax effect of expenses not deductible for tax purpose	**942**	2,270
Tax effect of tax loss not recognised	**1,105**	280
Tax concession	**—**	(74)
Under/(over)-provision in respect of prior years	**84**	138
Others	**—**	(35)
Income tax expense	**6,111**	3,750

13. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2018: HK$Nil).

14. EARNINGS/(LOSS) PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings/(Loss)	**6,586**	(3,525)
Earnings/(loss) for the purpose of basic earnings/(loss) per share	**HK cents 0.66**	HK cents (0.44)

	Number of shares	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (Note)	**1,000,000,000**	795,205,480

Note:
Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as there was no potential dilutive ordinary shares for the years ended 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2017	1,374	454	1,214	3,042
Additions	357	236	—	593
Exchange realignment	—	3	—	3
At 31 March 2018	1,731	693	1,214	3,638
Additions	—	85	—	85
Exchange realignment	—	(2)	—	(2)
At 31 March 2019	1,731	776	1,214	3,721
Accumulated depreciation				
At 1 April 2017	1,374	338	747	2,459
Provided for the year	97	85	244	426
Exchange realignment	—	1	—	1
At 31 March 2018	1,471	424	991	2,886
Provided for the year	195	90	137	422
Exchange realignment	—	(1)	—	(1)
At 31 March 2019	1,666	513	1,128	3,307
Net book value				
At 31 March 2019	65	263	86	414
At 31 March 2018	260	269	223	752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

16. INTANGIBLE ASSET

	Computer Software HK$'000
Cost	
At 1 April 2018	—
Additions	271
At 31 March 2019	271
Accumulated amortisation	
At 1 April 2018	—
Charge for the year	33
At 31 March 2019	33
Net carrying amount	
At 31 March 2019	238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

17. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movement during the year are as follows:

	Accelerated depreciation allowances HK$'000
At 1 April 2017	(35)
Credited to profit or loss for the year (Note 12)	35
At 31 March 2018	—
Credited to profit or loss for the year (Note 12)	—
At 31 March 2019	—

Deferred tax assets have not been recognised for the following:

	2019 HK$'000	2018 HK$'000
Deductible temporary differences	142	122
Unused tax losses	8,551	1,841
	8,693	1,963

Certain subsidiaries had estimated tax losses arising in Hong Kong totaling approximately HK$8,551,000 as at 31 March 2019 (2018: HK$1,841,000) which can be carried forward indefinitely for offsetting against taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The deductible temporary differences arising in Hong Kong can be carried forward indefinitely. No deferred tax asset has been recognised in relation to deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

No deferred tax liability has been recorded on the temporary differences of HK$27,318,000 (2018: HK$12,089,000) relating to the undistributed earnings of the PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

18. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**1,065**	552

19. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (Note (a))	**16,218**	14,607
Other receivables (Note (b))	**111**	109
Prepayments and deposits (Note (b))	**1,798**	1,660
Total	**18,127**	16,376
Less: Non-current portion		
Deposits paid under operating leases (Note (b))	**(32)**	(640)
Current portion	**18,095**	15,736

(a)

	2019 HK$'000	2018 HK$'000
Trade receivables	**23,409**	18,460
Less: Provision for impairment on trade receivables	**—**	(3,853)
Less: Expected credit loss	**(7,191)**	—
	16,218	14,607

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

Customers are generally granted a credit period between 0 and 30 days. Applications for progress payments on projects are made on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

The following is an analysis of trade receivables by age based on invoice date:

	2019 HK$'000	2018 HK$'000
Less than 1 month	8,536	6,669
1 to 3 months	4,515	5,165
3 months to 6 months	2,810	770
More than 6 months but less than one year	177	1,047
More than one year	180	956
	16,218	14,607

Movements in loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	3,853	3,175
Initially application of HKFRS 9	2,173	—
	6,026	3,175
Impairment loss allowance recognised	—	725
Expected credit losses recognised	1,184	—
Reversal of impairment loss previously recognised	—	(66)
Exchange realignment	(19)	19
At the end of the year	7,191	3,853

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The above impairment of trade receivables of approximately HK$7,191,000, (2018: HK$3,853,000) was made for individually impaired trade receivables with an aggregate carrying amount of approximately HK$8,522,000 (2018: HK$6,501,000) as at 31 March 2019. These individually impaired trade receivables include customers who have ceased business relationship with the Group and could no longer be contacted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2019 HK$'000	2018 HK$'000
Not past due	—	1,646
Less than 1 month past due	9,042	5,581
1 to 3 months past due	4,728	3,759
More than 3 months past due but less than 12 months past due	1,108	973
More than one year past due	9	—
	14,887	11,959

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

(b) The above balances of other receivables, prepayments and deposits as at 31 March 2019 and 31 March 2018 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and cash on hand held by the Group. Bank balances earn interests at floating rates based on daily bank deposit rates and are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents included an amount of approximately HK$22,162,000 (2018: HK$11,080,000) denominated in Renminbi and deposited in the PRC for the year ended 31 March 2019. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

21. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (Note (a))	6,113	4,718
Other payables:		
Receipts in advance	—	3,060
Provision of warranties (Note (b))	162	275
Other payables and accruals (Note (c))	3,332	5,552
Total	9,607	13,605
Less: Non-current portion		
Provision of warranties (Note (c))	(114)	(164)
Total current portion	9,493	13,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

21. TRADE AND OTHER PAYABLES *(Continued)*

(a) An ageing analysis of trade payables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
Current or less than 1 month	3,559	3,127
1 to 3 months	985	1,064
4 to 6 months	1,566	—
7 to 12 months	—	—
More than 1 year	3	527
	6,113	4,718

The Group's trade payables are non-interest bearing. The credit period granted by suppliers is generally between 0 and 30 days.

(b) **Provision for warranties**

Provision for warranties for integrated LED lighting solution services provided are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	275	451
Provision for the year	51	38
Less: Reversal of unused amount	(152)	(183)
Amount credited to profit or loss for the year	(101)	(145)
Less: Amount utilised	(12)	(31)
At the end of the year	162	275
Categories as:		
Non-current liabilities	114	164
Current liabilities	48	111
	162	275

(c) Other payables and accruals are non-interest bearing and have average payment terms of one to three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

22. CONTRACT LIABILITIES

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	HK$'000	HK$'000
Contract liabilities arising from:			
Current liabilities			
Sale of goods	3,242	3,060	—
Deferred income	54	231	—
	3,296	3,291	—
Non-current liabilities			
Deferred income	172	144	—
	3,468	3,435	—

Typical payment terms which impact on the amount of contract liabilities are as follows:

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018. Upon adoption of HKFRS 15, amounts previously recognised as receipts in advance and deferred income from customers have been reclassified to Contract liabilities.

Sale of goods

The deposits of the Group received on sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services remain as contract liabilities until such time as the work completed to date outweighs them.

Consultancy and LED lighting system maintenance services

Progress payments are received from customers periodically according to terms of contracts and the Group's assessment of the stage of completion can give rise to contract liabilities.

Movements in contract liabilities

	HK$'000
Balance as at 1 April 2018	3,435
Decrease in contract liabilities as a result of recognising revenue during the year	(3,435)
Increase in contract liabilities as a result of receipts in advance of sale of goods	3,617
Decrease in contract liabilities as a result of recognising deferred income during the year	(199)
Increase in contract liabilities as a result of progress payment of consultancy and LED lighting system maintenance services	50
Balance at 31 March 2019	3,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

23. DEFERRED INCOME

The deferred revenue is in respect of the Group's maintenance services income:

	2019 HK$'000	2018 HK$'000
Deferred income	—	375
Less: Non-current portion	—	(144)
Current portion	—	231

24. LEASES

The Group leased its office premises and office equipment under operating lease arrangements, which are negotiated for terms between two and five years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	1,647	2,273
Later than one year and not later than two years	552	990
Later than two years and not later than five years	406	144
	2,605	3,407

25. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount HK$
Authorised:			
Ordinary shares of HK$0.001 each			
At 1 April 2017	(i)	380,000,000	380,000
Increase in authorised share capital during the year	(iii)	9,620,000,000	9,620,000
At 31 March 2018 and 31 March 2019		10,000,000,000	10,000,000
Issued and fully paid:			
Ordinary shares of HK$0.001 each			
At 1 April 2017	(i)	100	—
Issue of shares upon Reorganisation	(ii)	900	1
Capitalisation issue of shares	(iv)	749,999,000	749,999
Issue of shares by way of public offer and placing	(v)	250,000,000	250,000
At 31 March 2018 and 31 March 2019		1,000,000,000	1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

25. SHARE CAPITAL *(Continued)*

Notes:

(i) The Company was incorporated in the Cayman Islands on 15 February 2017 with an authorised share capital of HK$380,000 divided into 380,000,000 ordinary shares of HK$0.001 each. Upon incorporation, 1 ordinary share of HK$0.001 each was allotted and issued to the initial subscriber at HK$0.001, which was transferred to Garage Investment on the same day at par value. On the same day, 54 ordinary shares were issued and allotted to Garage Investment and 45 ordinary shares were issued and allotted to Eight Dimensions.

(ii) On 23 May 2017, 495 ordinary shares of the Company were issued and allotted to Garage Investment and 405 ordinary shares of the Company were issued and allotted to Eight Dimensions, all credited as fully paid, as consideration for the acquisition of the entire issued share capital of Pangaea. Immediately upon completion of Reorganisation, Pangaea became a wholly-owned subsidiary of the Company.

(iii) Pursuant to a written resolution passed on 22 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 380,000,000 shares of HK$0.001 each to HK$10,000,000 divided into 10,000,000,000 shares of HK$0.001 each by the creation of an additional 9,620,000,000 shares.

(iv) Pursuant to a written resolution passed on 22 December 2017, the directors of the Company were authorised to capitalise an amount of HK$749,999 standing to the credit of the share premium account of the Company to pay up in full at par 749,999,000 shares ("Capitalisation Issue") for allotment and issue to Garage Investment and Eight Dimensions, each ranking pari passu in all respects with the then existing issued shares, and directors of the Company were authorised to give effect to such Capitalisation Issue.

(v) On 25 January 2018, the Company's shares were listed on GEM of the Stock Exchange and 250,000,000 new shares of the Company were issued for a cash consideration of HK$0.25 per share.

26. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

The nature and purpose of reserves within equity are as follows:

i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

ii) Merger reserve

It represents the difference between the Company's investment costs in subsidiaries and the aggregated share capital of the subsidiaries whose shares were transferred to the Company pursuant to the Reorganisation.

iii) Exchange reserve

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

26. RESERVES *(Continued)*

iv) Statutory surplus reserve

In accordance with the relevant regulation in the PRC, a subsidiary operating in the PRC is required to transfer 10% of its profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of its usage of its respective registered capital. The statutory surplus reserve is non-distributable, and is subject to certain restrictions set out in the relevant regulations in the PRC. This reserve can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above usage.

v) Retained profits

It represents cumulative net profits recognised in the consolidated statement of profit or loss and other comprehensive income.

Movements in the Company's reserves during the year are as follows:

	Share premium HK$'000	**Contributed surplus** (Note) HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
As at 31 March 2017	—	—	—	—
Loss for the year	—	—	(13,799)	(13,799)
Issue of shares upon Reorganisation (Note 25(ii))	—	10,419	—	10,419
Capitalisation issue of shares (Note 25(iv))	(750)	—	—	(750)
Issue of shares by way of public offer and placing (Note 25(v))	62,250	—	—	62,250
Share issuance expenses	(10,554)	—	—	(10,554)
As at 31 March 2018	50,946	10,419	(13,799)	47,566
Loss for the year	—	—	(2,809)	(2,809)
As at 31 March 2019	50,946	10,419	(16,608)	44,757

Note: Contributed surplus of approximately HK$10,419,000 represents the excess of the then carrying amount of the Company's share of equity value of a subsidiary, Pangaea, acquired and the nominal value of the Company's shares issued for such acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Non-current assets			
Investments in subsidiaries		**10,419**	10,419
Current assets			
Amounts due from subsidiaries		**15,383**	13,423
Other receivables		**288**	—
Cash and cash equivalents		**32,092**	40,254
		47,763	53,677
Current liabilities			
Other payables		**199**	3,264
Amounts due to subsidiaries		**12,226**	12,266
		12,425	15,530
Net current assets		**35,338**	38,147
Net assets		**45,757**	48,566
Equity			
Share capital	25	**1,000**	1,000
Reserves	26	**44,757**	47,566
Total equity		**45,757**	48,566

On behalf of the board of directors

Mr. Tam Yat Ming Andrew
Director

Mr. Yeung Wun Tang Andy
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

28. RELATED PARTY TRANSACTIONS

During the year, the Group does not have any significant transactions with its related parties or transactions which constituted connected transactions as defined in Chapter 20 of the GEM Listing Rules.

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in Note 11 to the consolidated financial statements.

29. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

(a) Credit risk

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2019:

	Expected loss rate (%)	Gross carrying amount (HK$000)	Expected credit loss allowance (HK$000)
Current (not past due)	1.15%	—	—
1-30 days past due	6.27%	9,107	571
31-90 days past due	8.35%	4,926	411
More than 90 days past due	17.87%	3,422	612
More than 180 days past due	32.6%	263	86
More 365 days	100%	5,691	5,511
		23,409	7,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, trade receivables of HK$3,853,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2018 HK$
Neither past due nor impaired	1,646
1-30 days past due	1
31-60 days past due	5,581
61-90 days past due	3,758
More than 90 days but less than one year	973
More than one year	—
	11,959

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Movements in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

	2019 HK$000	2018 HK$000
Balance at 31 March 2018 under HKAS 39	3,853	3,853
Impact of initial application of HKFRS 9 (Note 2(a)A)	2,173	—
Adjusted balance at 1 April 2018	6,026	3,853
Exchange realignment	(19)	—
Expect credit losses recognised during the year	1,184	—
Balance at 31 March 2019	7,191	3,853

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2019:

Increase in balances past due over 365 days led to an increase in expected credit loss HK$703,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserve of cash and adequate committed lines of funding from major banks, if necessary, to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the year and are considered to have been effective in managing liquidity risk.

The total contractual undiscounted cash flows of the Group's non-derivative financial liabilities approximate their carrying amounts as their remaining contractual maturities are within one year and the impact of discounting is insignificant as set out as below:

	2019 **HK$'000**	2018 HK$'000
Trade and other payables	**9,445**	10,270
	9,445	10,270

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should a need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances. The analysis is prepared assuming that the amount of assets outstanding at the end of each reporting period were outstanding for the whole year. A 25 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rate of bank balances.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit or loss for the years ended 31 March 2019 and 2018 is as follows:

	2019 **HK$'000**	2018 HK$'000
Increase/(decrease) in profit for the year		
— as a result of increase in interest rate	**136**	123
— as a result of decrease in interest rate	**(136)**	(123)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group currently does not have a hedging policy to mitigate its exposure to foreign exchange risk. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the group entity concerned.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollars ("**US$**") and Renminbi ("**RMB**"). For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each reporting period as follows:

	US$ HK$'000	RMB HK$'000
As at 31 March 2019		
Trade and other payables	—	(769)
	—	(769)
As at 31 March 2018		
Trade and other payables	(2,478)	(279)
	(2,478)	(279)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after tax (and retained profits) and other components of consolidated equity in response to reasonably changes in foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Decrease in foreign exchange rates %	**Increase in profit after tax and increase in retained profits HK$'000**
As at 31 March 2019		
RMB	**7**	**50**

	Increase in foreign exchange rates %	Increase in loss after tax and decrease in retained profits HK$'000
As at 31 March 2018		
RMB	**5**	12

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against HK$. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities profit or loss after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes were made during the year.

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

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial asset at amortised cost		
Trade and other receivables	17,518	—
Cash and cash equivalents	59,150	—
Loans and receivables		
Trade and other receivables	—	14,760
Cash and cash equivalents	—	55,238
Financial liabilities measured at amortised cost		
Trade and other payables	9,445	10,270

Due to their short term nature, the carrying values of trade and other receivables, cash and cash equivalents and trade and other payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

31. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank borrowing HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 April 2017	—	—	20,000	20,000
Cash flows				
Proceeds from bank borrowing	1,920	—	—	1,920
Repayments of bank borrowing	(1,920)	(147)	—	(2,067)
Dividend paid	—	—	(20,000)	(20,000)
Non-cash changes				
Interest on bank borrowing incurred	—	147	—	147
At 31 March 2018	—	—	—	—
Cash flows				
Proceeds from bank borrowing	—	—	—	—
Repayments of bank borrowing	—	—	—	—
Dividend paid	—	—	—	—
Non-cash changes				
Interest on bank borrowing incurred	—	—	—	—
At 31 March 2019	—	—	—	—

32. SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the "**Scheme**") by the written resolutions of Shareholders passed on 22 December 2017.

A summary of the Scheme is set out as below:

(i) The Scheme is effective for a period of 10 years commencing from 22 December 2017.

(ii) Under the Scheme, a subscription price shall be a price solely determined by the board of directors and notified to a participant and shall be not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share on the date of grant of the option.

(iii) An offer for the grant of options must be accepted within any prescribed acceptance date on which such offer was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

32. SHARE OPTION SCHEME *(Continued)*

(iv) 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 (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the shares in issue as at the listing date, or the date of approval of the renew limit by the Shareholders in general meeting.

No options have been granted since the adoption of the Scheme.

33. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2019.

FINANCIAL SUMMARY

A summary of the results, and of the assets and liabilities of the Group for the last four financial years, as extracted from the published audited consolidated financial statements or the Prospectus of the Company is set out below:

RESULTS

	For the year ended 31 March			
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**75,082**	65,946	67,443	42,126
Direct costs	**(36,975)**	(31,588)	(28,560)	(18,935)
Gross profit	**38,107**	34,358	38,883	23,191
Other income	**47**	97	358	75
Other gains and losses, net	**68**	(16)	1,448	195
Administrative expenses	**(24,341)**	(20,962)	(15,711)	(15,720)
Expected credit loss on trade receivable	**(1,184)**	—	—	—
Finance costs	**—**	(147)	—	—
Listing expenses	**—**	(13,105)	(4,123)	—
Profit before income tax expense	**12,697**	225	20,855	7,741
Income tax expense	**(6,111)**	(3,750)	(4,428)	(1,267)
Profit/(loss) for the year and attributable to owners of the Company	**6,586**	(3,525)	16,427	6,474
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	**(746)**	803	(85)	—
Other comprehensive income for the year and attributable to owners of the Company, net of tax	**(746)**	803	(85)	—
Total comprehensive income for the year and attributable to owners of the Company	**5,840**	(2,722)	16,342	6,474

ASSETS AND LIABILITIES

	As at 31 March			
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**79,303**	76,031	50,875	29,596
Total liabilities	**(15,617)**	(16,012)	(40,080)	(15,143)
Total equity	**63,686**	60,019	10,795	14,453

The summary above does not form part of the audited consolidated financial statements.

No consolidated financial statements of the Group for the years ended 31 March 2017 and 2016 have been published.

The financial information for the years ended 31 March 2017 and 2016 were extracted from the prospectus of the Company dated 11 January 2018. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 4 to the consolidated financial statements.