# Bortex Global Limited
# 濠亮環球有限公司*

(incorporated in the Cayman Islands with limited liability)

**Stock Code: 8118**

2019 ANNUAL REPORT

* *For identification purpose only*

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*This report, for which the directors (the "**Directors**") of Bortex Global Limited (the "**Company**") 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Shiu Kwok Leung *(Chairman)*
Mr. Shao Xu Hua *(Chief Executive Officer)*
Mr. Yuen Lai Him

### Independent Non-executive Directors

Mr. Wong Ting Kon
Ms. Lo Ching Yee
Mr. Cheng Hok Ming Albert

## AUDIT COMMITTEE

Mr. Wong Ting Kon *(Chairman)*
Ms. Lo Ching Yee
Mr. Cheng Hok Ming Albert

## REMUNERATION COMMITTEE

Mr. Cheng Hok Ming Albert *(Chairman)*
Mr. Yuen Lai Him
Mr. Wong Ting Kon

## NOMINATION COMMITTEE

Mr. Shiu Kwok Leung *(Chairman)*
Mr. Wong Ting Kon
Mr. Cheng Hok Ming Albert

## COMPANY SECRETARY

Ms. Wong Mun Yan

## COMPLIANCE OFFICER

Mr. Shiu Kwok Leung

## AUTHORISED REPRESENTATIVES

Mr. Shiu Kwok Leung
Mr. Shao Xu Hua

## INDEPENDENT AUDITOR

HLB Hodgson Impey Cheng Limited

## COMPLIANCE ADVISER

Ample Capital Limited

## REGISTERED OFFICE

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

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

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Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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Hutchins Drive
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Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
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## LEGAL ADVISERS

*As to Hong Kong law*
Vincent T.K. Cheung, Yap & Co.
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

## WEBSITE

www.bortex.com.cn

## STOCK CODE

8118

# CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**"), I present the annual report and the audited consolidated financial statement of the Company and its subsidiaries (together with the Company, the "**Group**") for the year ended 30 April 2019.

During the year of 2018 and first half of 2019, many industries were affected by the Sino-US trade conflict which also affected the Company. In the first half of the financial year 2019, the Company strived to maintain good relationships with the customers in North America while continuing to develop the LED lighting business in China.

## PERFORMANCE

Since our listing in 2017, the Company has maintained its good reputation and quality of production in the LED lighting business market. Our business in China is booming. The Group's revenue increased by approximately HK$10.8 million or 7.1% for the year ended 30 April 2019 to approximately HK$162.0 million (2018: HK$151.2 million), resulting in an increase of net profit to approximately HK$23.4 million (2018: HK$7.4 million).

## OUTLOOK

Looking ahead, the global economic backdrop remains to be clouded with uncertainties. While the Sino-US trade conflict may remain as a significant risk in the forthcoming financial year, the Group will continue to strengthen its market position in both the local and overseas markets by broadening the product portfolio. Furthermore, the management of the Group would review and modulate the business strategies on a regular basis using a prudent and risk balanced management approach.

## Appreciation

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff of the Group for their hard work and dedication, and also to our shareholders and business partners for their continuous support.

**Shiu Kwok Leung**
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The year ended 30 April 2019 was a difficult financial year for the Company as a result of the Sino-US trade conflict. The Sino-US trade conflict has seriously affected the operation of the Company and brought uncertainties to the demand for the Group's LED lighting products since a significant amount of the Group's sales relied on the consumptions in North America. The purchase orders for both the LED decorative lighting products and LED luminaire lighting products were reduced during the first to third quarter of the year ended 30 April 2019.

To mitigate the effect of the Sino-US trade conflict, the Company has strategically focused on the sales of the PRC customers during the year. The revenue derived from the PRC customers increased from approximately HK$47.0 million to approximately HK$86.9 million on a year-over-year basis, resulting in increase of total revenue by approximately HK$10.8 million or 7.1% from approximately HK$151.2 million for the year ended 30 April 2018 to approximately HK$162.0 million for the year ended 30 April 2019.

During the year ended 30 April 2019, our Group focused on developing and marketing the sales of smart light products in the LED decorative lighting series (the "**Smart Light**") in the Mainland China market. The Group tailored its Smart Light products to accommodate for tourism development projects and building's exterior decoration projects, which presented a new revenue source for the Group. The sales of LED decorative lighting products increased by approximately HK$12.6 million or 10.2% from approximately HK$120.3 million for the year ended 30 April 2018 to approximately HK$132.9 million for the year ended 30 April 2019.

At the same time, the production line of LED luminaire lighting series had undergone an upgrade during the year ended 30 April 2019, which and was completed in October 2018. The sales of the LED luminaire lighting series resumed during the last quarter of the year ended 30 April 2019. As a result, the sales of LED luminaire lighting series decreased slightly by approximately HK$1.8 million or 5.8% from approximately HK$30.9 million for the year ended 30 April 2018 to approximately HK$29.1 million for the year ended 30 April 2019.

## PROSPECT

The Sino-US trade conflict has led to a dramatic drop in the Group's export sales to North America and other customers during the year ended 30 April 2019.

Therefore, the Group was in the progress of exploring to build a new production line at Phnom Penh in Cambodia. It is advised that a new company set up through Qualify Investment Project (the "**QIP**") application is entitled to tax benefit for the import of raw materials, semi-products and machinery from China to Cambodia as well as for the export of the lighting products to the US. The Company believes that if the Group's plan to set up a factory in Cambodia can be materialised, the Group's competitiveness will be enhanced and the export sales to North America will become more stable.

## FINANCIAL REVIEW

### Revenue from LED decorative lighting

The Group's LED decorative lighting revenue increased by approximately HK$12.6 million or 10.8% from approximately HK$120.3 million for the year ended 30 April 2018 to approximately HK$132.9 million for the year ended 30 April 2019. The increase in LED decorative lighting revenue was mainly attributable to the increase in sales of Smart Light products and the increase in sales to the PRC customers.

### Revenue from LED luminaire lighting

The Group's LED luminaire lighting revenue decreased slightly by approximately HK$1.8 million or 5.8% from approximately HK$30.9 million for the year ended 30 April 2018 to approximately HK$29.1 million for the year ended 30 April 2019. The decrease in LED luminaire lighting revenue mainly resulted from the upgrade of the production line(s) for LED luminaire lighting during the year. Such upgrade was completed in October 2018 and the sales of LED luminaire lighting has resumed during the last quarter of the year ended 30 April 2019.

### Cost of Sales

The Group's cost of sales increased by approximately HK$4.5 million or 4.1% from approximately HK$108.5 million for the year ended 30 April 2018 to approximately HK$113.0 million for the year ended 30 April 2019. The increase in cost of sales was generally in line with the increase in the Group's total revenue.

### Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$6.3 million or 14.7% from approximately HK$42.8 million for the year ended 30 April 2018 to approximately HK$49.1 million for the year ended 30 April 2019. The increase in gross profit was generally in line with the increase in the Group's total revenue. The gross profit margin increased from approximately 28.3% for the year ended 30 April 2018 to approximately 30.3% for the year ended 30 April 2019. The increase in gross profit margin was mainly due to the increase in sales of Smart Light which were generally sold with higher profit margin.

### Other Income

The Group's other income increased by approximately HK$297,000 or 77.1% from approximately HK$385,000 for the year ended 30 April 2018 to approximately HK$682,000 for the year ended 30 April 2019. The increase was primarily attributable to the fair value gain on financial assets at fair value through profit or loss and the interest income of the secured fixed deposits in Hong Kong.

### Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately HK$0.4 million or 10.3% from approximately HK$3.9 million for the year ended 30 April 2018 to approximately HK$3.5 million for the year ended 30 April 2019. The decrease in selling and distribution expenses was mainly attributable to the decrease in advertising and marketing expenses.

### Administrative Expenses

The Group's administrative expenses decreased significantly by approximately HK$9.6 million or 36.6% from approximately HK$26.2 million for the year ended 30 April 2018 to approximately HK$16.6 million for the year ended 30 April 2019. The decrease was mainly attributable to the absence of the one-off listing expenses of approximately HK$9.8 million incurred in the year ended 30 April 2018.

### Finance Cost

The Group's finance cost decreased by approximately HK$0.9 million or 75.0% from approximately HK$1.2 million for the year ended 30 April 2018 to approximately HK$0.3 million for the year ended 30 April 2019. The decrease in finance cost was in line with the decrease in bank borrowings during the year ended 30 April 2019.

### Profit for the Year

The Group's profit for the year ended 30 April 2019 was approximately HK$23.4 million, representing an increase of approximately HK$16.0 million or 216.2% as compared with the year ended 30 April 2018. The net increase in profit for the year of the Group was mainly attributable to the drop in administrative expense as a result of the absence of the one-off listing expenses of approximately HK$9.8 million incurred during the year ended 30 April 2018 along with the aforementioned increase in revenue and gross profit of the Group during the year ended 30 April 2019.

## GEARING RATIO

The Group recorded a gearing ratio (total debts divided by the total equity) of approximately 0.06 times as at 30 April 2019 (2018: 0.03 times). The gearing ratio remained low as at 30 April 2019.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2019, cash and bank balances of the Group amounted to approximately HK$25.8 million (2018: HK$34.0 million). The current ratio (total current assets divided by total current liabilities) of the Group was 4.0 times as at 30 April 2019 (2018: 3.7 times). In view of the Group's current level of cash and bank balances and funds generated internally from its operations, the Board is confident that the Group will have sufficient resources to meet its finance needs for its operations.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND CAPITAL ASSETS

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets for the year ended 30 April 2019. Furthermore, the Group did not have any plans for material investments and capital assets.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 April 2019, the Group did not have any significant capital commitments (30 April 2018: nil) and significant contingent liabilities (30 April 2018: nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2019, the Group had a total of 230 employees. The total remuneration costs incurred by the Group for the year ended 30 April 2019 were approximately HK$21.5 million. The Group reviews the performance of its employees annually and use the results of such review in the annual salary review and promotion appraisal, in order to attract and retain valuable employees. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

## CHARGE OF ASSETS

At the respective end of the reporting periods, the following asset was pledged to secure general banking facilities granted to the Group or borrowings of the Group:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Financial asset at fair value through profit or loss/Available-for-sale financial asset | 2,738 | 2,365 |
| Fixed deposits | 9,524 | – |
| | 12,262 | 2,365 |

## FOREIGN CURRENCY EXPOSURE

A significant portion of the Group's turnover is derived from the Group's sales to customers located in North America and Taiwan which are primarily denominated and settled in US Dollars, while the Group generally settled the Group's cost of sales and operating expenses in Renminbi and Hong Kong dollars. The Group therefore exposed to exchange rate risk. During the year ended 30 April 2019, the Group had experienced exchange loss of approximately HK$0.2 million (2018: gain of approximately HK$0.6 million).

## DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 30 April 2019.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 31 October 2017 (the "**Prospectus**") with the Group's actual business progress for the period from 16 November 2017 (i.e. the date of listing of the Company's shares on GEM, the "**Listing Date**") to 30 April 2019 is set out below:

| Objectives | Implementation plan | Actual business progress up to 30 April 2019 |
|---|---|---|
| Upgrading our production facilities | — improving automation and efficiency of LED decorative lighting series:<br><br>(i) purchasing new automatic welding machines for the production of mobile phone applications linked LED decorative lighting products<br><br>(ii) purchasing machinery for the production of more flexible user-friendly LED decorative lighting products<br><br>(iii) purchasing machinery with a higher level of automation for the assembling of the LED decorative lighting products<br><br>(iv) modifying and alternating our existing machines for the production of LED capsules | The Group purchased 3 new automatic welding machines for the production of mobile phone applications linked LED decorative lighting and upgraded 10 machines for more flexible and user-friendly LED decorative lighting product production line. With the focus to enhance automation, the Group acquired 3 new machines to allow a higher level of automation in the assembling of the LED decorative lighting products process. A total of 36 existing machines were upgraded to increase the production capacity of LED capsules. |

| Objectives | Implementation plan | Actual business progress up to 30 April 2019 |
|---|---|---|
| | — improving product quality and stability of LED luminaire lighting series: | The Group purchased 1 new machine to facilitate the LED tube light aging test and 2 new surface mount technology production lines. With the focus to enhance automation, the Group acquired 8 machines to allow a higher level of automation in the assembling process of LED luminaire lighting series. |
| | (i) purchase additional facility for LED tube light aging test | |
| | (ii) invest in new surface mount technology (SMT) production line which is to be operated in a clean room | |
| Expanding our product portfolio and strengthening our product development capability | — recruiting design and experienced technical personnel | The Group hired 5 senior engineers to focus on product design and production. |
| | — applying patents | The Group had submitted 11 patent applications. |
| Expanding our sales force and sales channel | — recruiting sales staff and providing training | 7 new sales personnel were recruited for strengthening the Group's sales and marketing function. |
| | — participation in exhibitions and trade fairs | The Group participated in Hong Kong based exhibitions in October 2018 and April 2019. The Group's sales and marketing team has also conducted site visits and explored the market in the United States, Philippines, Europe, West Africa during the year 2019. |

## USE OF PROCEEDS

The Company's shares were listed on GEM of the Stock Exchange on 16 November 2017 (i.e. the Listing Date). Net proceeds from the initial public offering and placing of new shares of the Company were approximately HK$30.1 million.

The table below sets out the intended use of net proceeds in accordance with the "Business Objectives, Future Plans and Use of Proceeds" as set out in the Prospectus:

| | Approximate percentage of total amount | Net proceeds | Up to 30 April 2019 Utilised amount | Un-utilised amount |
|---|---|---|---|---|
| | | *HK$ million* | *HK$ million* | *HK$ million* |
| Upgrading the production facilities<br>— Improving automation and efficiency of LED decorative lighting series<br>— Improving product quality and stability of LED luminaire lighting series | 55% | 16.6 | 7.6 | 9.0 |
| Repayment of short-term bank borrowings and finance lease | 25% | 7.5 | 7.5 | – |
| Expanding the product portfolio and strengthening the product development capability | 5% | 1.5 | 0.5 | 1.0 |
| Expanding the sales force and sales channel | 5% | 1.5 | 1.1 | 0.4 |
| General working capital | 10% | 3.0 | 3.0 | – |
| | 100% | 30.1 | 19.7 | 10.4 |

All un-utilised proceeds are deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

## DIRECTORS

### Executive Directors

**Mr. Shiu Kwok Leung**, aged 58, is one of our founders, the Chairman of the Board and a controlling shareholder of the Company. He is also the chairman of the Nomination Committee and the compliance officer of the Company. He was appointed as a Director on 30 January 2014 and was subsequently redesignated as an executive Director on 18 September 2015. Mr. Shiu is responsible for the overall strategic planning, business development and overseeing the sales and marketing of the Group. Mr. Shiu initially worked as a moulds technician at Yau Yung Metal Manufacturing Factory from 1980 to 1983 and was subsequently promoted as its production and administration manager from 1983 to 2003. To continue the business of Yau Yung Metal Manufacturing Factory, Yau Yung Metal Manufacturing Factory Limited was incorporated in Hong Kong in 2003 and Mr. Shiu remained as the company's production and administration manager from August 2003 to June 2005. He was mainly responsible for the overall production (including liaison with overseas customers to deal with all production related matters and inquiries) and general administration functions of the company. Mr. Shiu established Bortex International Limited in Hong Kong on 30 December 2008. Mr. Shiu is a director of each of Harvest Mount Global Enterprises Limited, Bortex Holdings Limited, Bortex International Limited and Bortex Industry Co., Ltd (all are wholly-owned subsidiaries of the Company).

**Mr. Shao Xu Hua**, aged 39, is one of our founders. Mr. Shao was appointed as an executive Director and the Chief Executive Officer on 18 September 2015 and 30 September 2018 respectively. He has been responsible for the overall management of product design, procurement, production and finance departments. Mr. Shao obtained a Diploma (Night School) in computer science at South China University of Technology in July 2004 and a certificate of completion on MBA Advanced Seminar for Practising Manager (在職經理MBA課程高級研修班) from Higher School of Continuing Education of Sun Yat-Sen University in September 2009. Mr. Shao has about 12 years' experience in the production and sale of decorative lighting products through his involvement in business of Bortex Industry Co., Ltd and he has a comprehensive understanding to its overall business and different aspects of the business operation. Mr. Shao was a founding shareholder of Bortex Industry Co., Ltd, which is a wholly-owned and principal operating subsidiary of the Company, and has been a director of Bortex Industry Co., Ltd since 2004. Mr. Shao is also a director of Bortex International Limited (a wholly-owned subsidiary of the Company).

**Mr. Yuen Lai Him**, aged 48, joined the Group in March 2015 and was appointed as an executive Director on 18 September 2015. He is also a member of the Remuneration Committee of the Company. Mr. Yuen is responsible for managing sales and marketing activities. He received his Bachelor of Engineering in Electrical Engineering at the University of Sydney, Australia in November 1997. Mr. Yuen was the regional manager of VMT Instruments Limited, a company specialising in manufacturing of equipment for hard-disk testing, from 1997 to 2003 and he was responsible for international sales marketing for Philippines, Japan, China and United States as well as establishing and execution of sales and marketing strategies. He founded Galaxy Optics Limited (now known as Galaxy Technology Limited), a company specialising in sales and manufacturing of electronic products, in July 2004. He has over 10 years of experience in international marketing and had successfully built relationship with customers in Korea, Hong Kong, Philippines and United States for the export of electronic products. He is currently a director of Galaxy Technology Limited. Mr. Yuen also worked for Galaxy Tech (Asia) Limited as a director from July 2013 to March 2015. Mr. Yuen is a director of Multi Tech Creation Limited (a substantial shareholder of the Company). He is also a director of each of Harvest Mount Global Enterprises Limited, Bortex Holdings Limited and Bortex International Limited (all are wholly-owned subsidiaries of the Company). Mr. Yuen was appointed as a non-executive director of a company listed on GEM, Dowway Holdings Limited (stock code: 8403), on 22 March 2019.

## Independent Non-executive Directors

**Mr. Wong Ting Kon**, aged 48, was appointed as an independent non-executive Director on 24 October 2017. He is also the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wong has over 20 years of experience in the accounting and finance industry in Hong Kong. He currently serves as an independent non-executive director of a company listed on the Stock Exchange, Speedy Global Holdings Limited (stock code: 540). He was appointed as an independent non-executive director of a company listed on GEM, Inno-Tech Holdings Limited (stock code: 8202), from 15 February 2018 to 3 August 2018. Mr. Wong joined Chan Wong & Company C.P.A in 2000 and is currently a partner of the firm.

Mr. Wong served as an independent non-executive director of two listed companies on the Stock Exchange, namely Hao Wen Holdings Limited (stock code: 8019) from April 2011 to August 2014 and Zhong Hua International Holdings Limited (stock code: 1064) from May 2005 to August 2006. He worked for David Yim & Co C.P.A. from August 1996 to July 1998 and last served as an audit manager. He also worked as an audit semi-senior in H.C. Watt & Co C.P.A. from August 1995 to August 1996 and an audit trainee in Robert C.L. Tse & Co C.P.A. from July 1994 to August 1995. Mr. Wong was admitted as a fellow of The Taxation Institute of Hong Kong in July 2010, the fellow of The Association of Chartered Certified Accountants in August 2004 and an associate member of the Hong Kong Society of Accountants in October 1998. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree of commerce from the University of Windsor in June 1994.

**Ms. Lo Ching Yee**, aged 38, was appointed as an independent non-executive Director on 24 October 2017. She is also a member of the Audit Committee of the Company. From 2003 to 2013, she worked as the project manager in Sun Fook Kong Construction Ltd and was mainly responsible for project management, contract procurement, condition survey and quality control. She worked in Fruit Design & Build Ltd as an associate and also as the team head of the building survey team from November 2012 to November 2013. From December 2013 to March 2015, she worked in the Hong Kong Housing Society as a manager and was mainly responsible for the planning and implementation of major improvement and repair works for the estates and properties. She is currently working as an assistant project manager in NW Project Management Limited.

Ms. Lo obtained an associate degree of Science in Surveying (Building Surveying) from the City University of Hong Kong in November 2003. She obtained a bachelor degree (long distance) of Science in Facilities Management in the University of Central Lancashire (Hong Kong College of Technology) in December 2005. She also obtained the Postgraduate Diploma (long distance) in Surveying and the degree (long distance) of Master of Science from the University of Reading in July 2009 and July 2013 respectively. She was admitted as a professional member of the Royal Institution of Chartered Surveyors in November 2011.

**Mr. Cheng Hok Ming Albert**, aged 57, was appointed as an independent non-executive Director on 24 October 2017. He is also the chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Cheng was an independent non-executive director of PacMos Technologies Holdings Limited (now known as PacRay International Holdings Limited, stock code: 1010), a company listed on the Stock Exchange, from 30 September 2004 to 27 November 2014.

Mr. Cheng attended secondary education in Hong Kong and he entered for the Hong Kong Certificate of Education Examination and received the respective result in August 1979. He is a fellow member of the Hong Kong Institute of Directors and has extensive experience in the accounting, financing and consulting industries. Mr. Cheng has been an executive director and chairman of the board of directors of Gold Profit Services Limited, a consulting company principally engaged in providing corporate advisory services including taxation and accountancy services for over 30 years since 1987.

## SENIOR MANAGEMENT

**Mr. Pan Liang Bo**, aged 52, joined Bortex Industry in October 2004 initially as a sales manager and was subsequently promoted to factory director in January 2010. He is mainly responsible for managing the development and production planning of the Group.

Mr. Pan obtained a certificate of completion on MBA Advanced Seminar for Practising Manager (在職經理MBA課程高級研修班) from Higher School of Continuing Education of Sun Yat-Sen University in September 2009. Mr. Pan has over 18 years of experience in the lighting products industry. Prior to joining the Group, he served as a sales manager of Dongguan Chihua Industry Company Limited (東莞市熾華實業有限公司), a company which was principally engaged in manufacturing electric wires and lighting products, and was responsible for business development from August 1998 to December 2004.

## COMPANY SECRETARY

**Ms. Wong Mun Yan**, aged 44, joined the Group as the company secretary of the Group on 1 October 2017 and is primarily responsible for overseeing the overall financial management of the Group and company secretarial matters.

Ms. Wong was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in May 2000. Ms. Wong obtained a degree of bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 1996.

Before joining the Group, Ms. Wong was employed by IDS Group Management Ltd from December 1996, which was acquired by Li & Fung (Trading) Ltd. in April 2011. Ms. Wong was employed by Li & Fung (Trading) Ltd as the financial controller from April 2011 to March 2012 and was promoted to the senior manager — finance & accounting from April 2012 to April 2013. Ms. Wong worked as the financial consultant of a company with its subsidiary principally engaged in property management in China from September 2013 to September 2017.

## COMPLIANCE OFFICER

Mr. Shiu Kwok Leung is the compliance officer of the Company. The biography of Mr. Shiu is set out in the paragraph under “Executive Directors” of this section.

## CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules.

The Board considers that during the year ended 30 April 2019 (the "**Report Period**"), the Company has complied with all the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarised below.

## A. THE BOARD

### A1. Responsibilities and Delegation

The Board is the highest decision-making and managing body of the Company which is responsible for the leadership, control and management of the Company, establishing and delivering the Company's strategies and objectives, including formulating long-term corporate strategy and setting business development plans, supervising and monitoring performance of the management, and overseeing the Group's business, strategic decisions and performances in the attainment of the objectives of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board has power to make its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

## A2. Board Composition

The composition of the Board during the Report Period is as follows:

*Executive Directors*
Mr. Shiu Kwok Leung *(Chairman)*
Mr. Shao Xu Hua *(Chief Executive Officer)*
Mr. Yuen Lai Him

*Independent Non-executive Directors*
Mr. Wong Ting Kon
Ms. Lo Ching Yee
Mr. Cheng Hok Ming Albert

Throughout the Report Period, the Board has met the requirements of the GEM Listing Rules 5.05 and 5.05A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Executive Directors are responsible for the business and functional division of the Group in accordance with their expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

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

The biographical details of the Directors and the relationships between Board members, if any, are set out under the section headed "Profiles of Directors, Senior Management and Secretary" in this annual report.

## A3. Chairman and Chief Executive Officer

The Company supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balanced judgement of views. Currently, Mr. Shiu Kwok Leung takes up the role of the Chairman of the Board and is responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Mr. Shao Xu Hua has been appointed as the Chief Executive Officer of the Company in place of Mr. Chow Kwok On with effect from 30 September 2018. The Chief Executive Officer, who takes care of the day-to-day management of the Group's business and implementing the Group's strategic plans and business objectives.

### A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Each Director is engaged for a term of 2 years. The appointment of each executive Director and independent non-executive Director may be terminated by either party by not less than 6 months' and 3 months' written notice respectively.

The procedures and process of appointment and removal of Directors are laid down in Company's Articles of Association (the "**Articles**"). According to the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the relevant annual general meeting. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his/her appointment, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

Pursuant to the Articles, Mr. Yuen Lai Him and Mr. Cheng Hok Ming Albert shall retire by rotation at the forthcoming 2019 annual general meeting of the Company (the "**2019 AGM**"). It is noted that the above retiring directors will offer themselves for re-election at the 2019 AGM. The Company's circular, sent together with this annual report, contains detailed information of such retiring directors as required by the GEM Listing Rules.

### A5. Training and Continuing Development for Directors

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

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

During the Report Period, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

| | Type of training | |
|---|---|---|
| Directors | Attending seminars/ conferences/ forums and/ or training courses | Reading materials provided by the Company or external parties |
| *Executive Directors:* | | |
| Mr. Shiu Kwok Leung *(Chairman)* | | ✔ |
| Mr. Shao Xu Hua | | ✔ |
| Mr. Yuen Lai Him | ✔ | ✔ |
| *Independent Non-executive Directors:* | | |
| Mr. Wong Ting Kon | ✔ | ✔ |
| Ms. Lo Ching Yee | | ✔ |
| Mr. Cheng Hok Ming Albert | ✔ | ✔ |

*Note:* These seminars/conferences/materials are related to regulatory development/updates, directors' duties, corporate governance or other relevant topics

### A6. Board Meetings

Schedules for regular Board meetings are normally agreed with Directors in advance to facilitate their attendance. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors are given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying meeting papers will be sent to all Directors in a timely manner and at least three days in advance of every regular Board meeting.

During the Report Period, the attendance records of each Director at the said Board meetings held and the annual general meeting are set out below:

| Directors | Board Meetings | Annual General Meeting |
|---|---|---|
| *Executive Directors* | | |
| Mr. Shiu Kwok Leung | 4/4 | 1/1 |
| Mr. Shao Xu Hua | 4/4 | 1/1 |
| Mr. Yuen Lai Him | 4/4 | 1/1 |
| *Independent Non-executive Directors* | | |
| Mr. Wong Ting Kon | 4/4 | 1/1 |
| Ms. Lo Ching Yee | 4/4 | 1/1 |
| Mr. Cheng Hok Ming Albert | 4/4 | 1/1 |

Apart from regular Board meeting, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year.

### A7. Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in the Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all the Directors and all Directors have confirmed that they have complied with the required standard of dealings throughout the Report Period.

The Company has also established written guidelines on no less exacting terms than the required standard of dealings (the "**Employees Written Guidelines**"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

### A8. Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code. The Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the required standard of dealings and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## B. BOARD COMMITTEES

The Board has established 3 Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website and the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

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

### B1. Audit Committee

The Company has met the GEM Listing Rules requirements regarding the composition of the Audit Committee throughout the Report Period. The Audit Committee comprises a total of 3 members, being the 3 independent non-executive Directors, namely Mr. Wong Ting Kon (chairman of the Committee), Ms. Lo Ching Yee and Mr. Cheng Hok Ming Albert. Mr. Wong Ting Kon possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing and monitoring integrity of the financial information and reports of the Group, and considering any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making relevant recommendation to the Board; and reviewing the Company's financial reporting system, risk management and internal control systems.

During the Report Period, the Audit Committee has held four meetings, in which the Committee members have (i) reviewed the Group's consolidated financial statements, results announcements and reports for the year ended 30 April 2018, for the three months ended 31 July 2018, for the six months ended 31 October 2018 and for the nine months ended 31 January 2019; (ii) reviewed and discussed the related accounting principles and practices adopted by the Group, the relevant audit findings, the report on the Company's risk management and internal control review; (iii) reviewed the compliance of the Deed of Non-Competition by the Company's controlling shareholders; (iv) made recommendation of the re-appointment of the external auditor; and (v) reviewed the arrangements for employees of the Company to raise concerns about possible improprieties. The attendance records of each Audit Committee member at the said Audit Committee meetings held during the Report Period are set out below:

| Audit Committee members | Audit Committee Meetings |
|---|---|
| Mr. Wong Ting Kon | 4/4 |
| Ms. Lo Ching Yee | 4/4 |
| Mr. Cheng Hok Ming Albert | 4/4 |

The external auditor has attended the above meetings and discussed with the Audit Committee members on the interim and third quarterly results.

Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

## B2. Nomination Committee

The Nomination Committee comprises a total of 3 members, being the Chairman of the Board, namely Mr. Shiu Kwok Leung (chairman of the Committee), and two independent non-executive Directors, namely Mr. Wong Ting Kon and Mr. Cheng Hok Ming Albert. Throughout the Report Period, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors, and having the Committee chaired by the Chairman of the Board.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience required) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executive of the Company.

In making recommendations for appointment and re-appointment of Directors, the Nomination Committee may consider certain factors such as the diversity on the Board, the competency, business, technical, or specialised skills and experience of Board member/potential Board member, and the ability, time, commitment and willingness of a new Board member to serve and an existing Board member to continue service.

The Company also recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on 24 October 2017, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their effectiveness in determining the optimum composition of the Board. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during the Report Period.

During the Report Period, the Company has also adopted the Director Nomination Policy. Such policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the Report Period, the Nomination Committee has held one meeting, in which the Committee members have (i) reviewed the structure, size and composition of the Board to ensure that it has a balance of skills, knowledge and experience appropriate to the Group's corporate strategy; (ii) assessed the independence of all the independent non-executive Directors; and (iii) recommended the re-election of the Directors at the 2018 annual general meeting. The attendance records of each Nomination Committee member at the said Nomination Committee meeting held during the Report Period are set out below:

| Nomination Committee members | Nomination Committee Meeting |
|---|---|
| Mr. Shiu Kwok Leung | 1/1 |
| Mr. Wong Ting Kon | 1/1 |
| Mr. Cheng Hok Ming Albert | 1/1 |

## B3. Remuneration Committee

The Remuneration Committee comprises a total of 3 members, being one executive Director, namely Mr. Yuen Lai Him, and two independent non-executive Directors, namely Mr. Wong Ting Kon and Mr. Cheng Hok Ming Albert (chairman of the Committee). Throughout the Report Period, the Company has met the GEM Listing Rules requirements of having the majority of the Remuneration Committee members being independent non-executive Directors, as well as having the Committee chaired by an independent non-executive Director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual, salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the Group.

During to the Report Period, the Remuneration Committee has held one meeting, in which the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company were reviewed and relevant recommendations were made to the Board. The attendance records of each Remuneration Committee member at the said Remuneration Committee meeting held during the Report Period are set out below:

| Remuneration Committee members | Remuneration Committee Meeting |
|---|---|
| Mr. Cheng Hok Ming Albert | 1/1 |
| Mr. Yuen Lai Him | 1/1 |
| Mr. Wong Ting Kon | 1/1 |

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (including the executive Directors) by band for the year ended 30 April 2019 is set out below:

| Remuneration band (HK$) | Number of individual(s) |
|---|---|
| 100,000–500,000 | 2 |
| 500,001–1,000,000 | 3 |

Details of the remuneration of each Director for the year ended 30 April 2019 are set out in Note 11 to the consolidated financial statements contained in this annual report.

## C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 30 April 2019.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

## D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems have been designed to protect assets from misappropriation and unauthorised transactions and to manage operational risks.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems to safeguard the interests of the Company's shareholders and the Group's assets. The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems, and makes relevant recommendations.

The management, in coordination with department heads and operation teams, regularly assessed the likelihood of risk occurrence, ranked these risks according to the likelihood and the severity of the impact on the Group, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on any findings and measures to address the variances and identified risks. Such internal audit function aims to examine key issues in relation to the accounting practices and all material controls, identify deficiencies and ineffectiveness in the design and implementation of internal controls, and propose recommendations for improvement.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 30 April 2019. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure that prompt remediation and subsequent actions are taken to improve the situations.

Based on the reports submitted by the management and the various management controls put in place, the Board, with the support of the Audit Committee, reviewed the risk management and internal control systems (including the financial, operational and compliance controls) for the year ended 30 April 2019, and considered that such systems are effective and adequate. Such review of the risk management and internal control systems is conducted annually. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has procedures and internal controls measures for the Directors, the Company's officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

## E. COMPANY SECRETARY

The Company Secretary of the Company is Ms. Wong Mun Yan, who fulfils the qualification requirements laid down in the GEM Listing Rules. The biography of Ms. Wong is set out in the section headed "Profiles of Directors, Senior Management and Secretary" of this annual report. During the year ended 30 April 2019, Ms. Wong has taken not less than 15 hours of relevant professional training.

## F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 30 April 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to HLB Hodgson Impey Cheng Limited, the Company's auditor, in respect of audit service and non-audit services for the year ended 30 April 2019 are analyzed below:

| Type of services provided by the external auditor | Fees paid/ payable HK$ |
|---|---|
| Audit service — audit fee for the year ended 30 April 2019 | 1,000,000 |
| TOTAL: | 1,000,000 |

## G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Company also strives to provide quality information to shareholders regarding its latest developments whilst ensuring that relevant information is equally and simultaneously provided and accessible to all interested parties. The Company maintains a website at http://www.bortex.com.cn as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may also send written enquiries or requests to the Company as follows:

| | |
|---|---|
| Address: | Flat A, 11/F, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong |
| Email: | bortex@sprg.com.hk |
| Tel: | (852) 2554 9888 |
| Fax: | (852) 2554 9668 |

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and senior staff will be available to answer questions raised by the shareholders at general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its annual general meeting to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

## H. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each shareholders' meeting.

Pursuant to the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 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.

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

For the avoidance of doubt, shareholder(s) must provide their full names, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

With respect to the shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

## I. DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

## J. CONSTITUTIONAL DOCUMENTS

During the year ended 30 April 2019, there was no change in the memorandum and articles of association of the Company. The memorandum and articles of association of the Company is available on the websites of the Stock Exchange and the Company.

## SCOPE AND REPORTING YEAR

This is the second Environmental, Social and Governance (ESG) Report issued by Bortex Global Limited (the Company, together with its subsidiaries referred to as the Group) highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide set out in Appendix 20 of the GEM Listing Rules and Guidance on The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in developing, manufacturing, and exporting light-emitting diode (LED) lighting products to customers in North America, Europe, and Asia Pacific. This ESG report covers the Group's overall performance in two subject areas, namely, environmental and social issues of the key business operation in the manufacturing site located at Dongguan of the People's Republic of China (PRC) from 1 May 2018 to 30 April 2019 (reporting period), unless otherwise stated.

The Group's office located in Hong Kong generated minimal environmental and social impacts, thus it is not included in the reporting scope. It should be noted that any environmental key performance indicators (KPIs) presented within this report does not include impacts associated with canteen and dormitories used by the Group's employees in Dongguan manufacturing site, as they are centrally managed by the Industrial Park and not under the Group's management.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group, key stakeholders have been involved in regular engagement sessions to discuss and to review areas of attention which enables the business meets its potential growth and be prepared for future challenges. Face-to-face communication with employees and shareholders has been arranged on weekly basis, while customers and suppliers have been engaged via telephone or e-mail channel several times per month.

During the reporting period, the Group has specifically engaged board members, shareholders, senior management, frontline staff, suppliers and customers to gain further insights on ESG material aspects and challenges. Based on the stakeholder surveys carried out during the year, top 5 material aspects have been identified:

1. Employment;

2. Health and Safety;

3. Intellectual Property (IP) Rights;

4. Customer Service; and

5. Product/Service Quality.

## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on the ESG approach and performance by giving suggestions or sharing views via email at feedback@bortex.com.cn, or by post to Flat A, 11st Floor, King Palace Plaza, Kwun Tong, Hong Kong.

## THE GROUP'S SUSTAINABILITY MISSION AND VISION

### Mission

The Group is committed to driving business growth in a way that fosters a sustainable and socially stable world. With the emerging global trend focusing on environmental conservation and sustainable development, the Group addresses the widespread concerns by extending the mission to environmental protection and social welfare. The Group shall fully integrate with the national development strategy, utilize the interrelationship among product quality, profit, environmental protection, labour management, and community investment, so as to find the optimum balance to achieve maximum profit, responsibility and satisfaction for stakeholders.

### Vision on Environment, Social, and Governance

Major challenges faced by the Group have been identified, namely, the competition from peers with successful marketing strategy, strong product design capability and production cost control. Correspondingly, the strategic goals for the Group in the next 3 to 5 years is to strengthen and integrate the key aspects — sales, product design, and productivity and production efficiency. By maintaining these competitive advantages, the Group aims to develop new markets and expand the business by identifying potential business opportunities.

The Group's strategic goals closely align with the overall vision on ESG. As the LED decorative lighting market is expected to grow, especially for the exporting countries, the Group plans to increase the production efficiency for the Dongguan manufacturing site through upgrading existing production facilities to more energy efficient equipment and machinery. In addition, the Group will continue to improve automation and thereby enhance production efficiency. Better quality control with advanced testing equipment will also be invested to enhance the stability and reliability of our LED luminaire lighting.

The demand for smart lighting will increase with the widespread of smart phones and advancement in information technology. It is believed that smart lighting solutions have tremendous growth potential. Keeping along with this market trend, the Group will expand its mobile phone applications linked LED decorative lighting products (the "Smart Light") portfolio by introducing new product versions. These new versions will have positive environmental and social consequences from the whole produce life cycle:

- Ecodesign principals will be implemented from the design stage, with more environmentally friendly materials sourced for the lighting products. This will essentially reduce environmental pollution from the supply chain.
- Production efficiency will be increased via the introduction of new machines and production processes. This will reduce the energy consumption during the manufacturing stage.
- With easier control and better usability realized via the linked mobile applications, energy consumption can potentially be further reduced at the point-of-use.
- The expansion on Smart Light will enable the Group to extend communication and cooperation with industry leaders, helping the Group to build capacity in environmental design concept of new products (e.g. minimalism design).
- Users can be indirectly educated by the concept of ecodesign, which leads to more environmentally friendly behavior change.

The Group considers employees as the most valuable asset. Social Accountability standards including AA1000 and SA8000 have been systematically embedded within the Group's daily operation and management. The Group plans to further sustain its capability in product development by hiring and training additional design and technical talents. This will ensure not only better service (i.e. tailored design) provided to the customers, but also keeping a keen market sensitivity toward the latest production and management practices in the industry. Furthermore, the Group will strengthen the management of IP rights, as it is expected that the Group will expand the patents applications of its new product designs.

## A. ENVIRONMENTAL

### A1. Emissions

The Group strictly abides by laws, rules and regulations enforced by the PRC in relation to environmental protection and pollution control, including but not limited to the followings:

- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes;
- Law of the PRC on the Prevention and Control of Atmospheric Pollution;
- Water Pollution Prevention and Control Law of the PRC; and
- Energy Conservation Law of the PRC.

The Group will establish an Environmental Management System to ensure a holistic management on identifying significant environmental aspects and impacts, as well as monitoring and evaluating key environmental performance.

No cases of material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas (GHG) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste was recorded during the reporting period.

#### *A1.1 Air Emissions*

Passenger car powered by petrol was used for clients and employees' business commuting during the reporting period. The activity contributed to the emissions of 1.16 kg nitrogen oxides ($NO_x$), 0.14 kg of respiratory suspended particles (PM) and insignificant amount of sulphur oxides ($SO_x$).

#### *A1.2 Greenhouse Gas Emissions*

Throughout the reporting period, the Group business operation contributed to an GHG emission of 518.05 tonnes of carbon dioxide equivalent ($tCO_2eq$) (mainly carbon dioxide, methane and nitrous oxide), with an intensity of 0.04 $tCO_2eq/m^2$ of total area, of which increased by 37% compared to the last reporting period.

The GHG reported included the following activities and scopes:

- Direct (scope 1) GHG emissions from the fuel consumption for group-owned vehicle;
- Energy indirect (scope 2) GHG emissions from purchased electricity; and
- Other indirect (scope 3) GHG emissions from paper waste disposal, freshwater processing, business air travel by the Group employees and landfilling of waste paper.

| Scope of GHG Emissions sources | GHG Emission (in $tCO_2eq$) | Total GHG Emission (in %) |
|---|---|---|
| **Scope 1 Direct Emission** | | |
| Combustion of fuel for mobile sources — petrol | 10.57 | 2% |
| **Scope 2 Indirect Emission** | | |
| Purchased electricity at Dongguan manufacturing site | 496.38 | 96% |
| **Scope 3 Other Indirect Emission** | | |
| Paper waste disposed at landfills | 0.13 | 2% |
| Freshwater processing | 1.85 | |
| Business air travel | 9.12 | |
| Total | 518.05 | 100% |

*Note:* Emission factors were made reference to Appendix 20 of the GEM Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

### *A1.3 Hazardous Waste*

The Group's business did not generate significant amount of hazardous waste, hence no information related to hazardous waste is being presented in this report. Waste electronic and electrical equipment, computer hardware and empty ink cartridges were collected by supplier for proper recycling or treatment before disposal.

### *A1.4 Non-hazardous Waste*

A total amount of 0.03 tonnes of non-hazardous waste was generated from the operations in the offices, which included waste office paper and other non-office paper products such as cardboards. Office paper was used for the purpose of archive storage of documents, which is estimated to be disposed of at landfills (under the assumption that all paper, whether is stored or purchased within the organization boundary, will eventually be disposed at landfills unless collected and recycled[1]).

[1] EMSD/EPD Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, 2008 and 2010 Editions

### *A1.5 Measures to Mitigate Emissions*

*Road Transport Source*

In order to minimize emission associated with vehicle use, the Group monitors and regulates the fuel consumption, encourages employees to share car journeys via carpooling and execute transport planning to avoid unnecessary trips.

*Business Air Travel*

The Group keeps tracks of employees' business travels and their relative carbon emissions throughout the reporting period. Site visits were often needed due to business nature, nonetheless the Group shall encourage employees to make use of teleconferencing or videoconferencing systems for reducing carbon footprint causing by business air travel.

### *A1.6 Wastes Handling and Reduction Initiatives*

The Group continues to practise paper saving initiatives as employees are encouraged to print paper on both sides and reuse paper for draft works, by which 0.002 tonnes of waste paper were stored at collection points for recycling purpose. The Group keeps tracks of the paper usage and prevent unnecessary paper waste generation. Posters are displayed in office to remind employees of paper saving and promote environmental awareness. Waste electronic and electrical equipment and used printer cartridges were returned to the supplier for proper recycling.

## A2. Use of Resources

Although the Group has not established standard policies on the efficient use of resources, it is committed to encouraging employees of resource conservation practices in office and factory.

### *A2.1 Energy Consumption*

The Group mainly consumed purchased electricity for factory production and petrol consumption for vehicle. As of 30 April 2019, a total of 950,328 kWh energy consumption was recorded, with an intensity of 79.19 kWh/m$^2$, of which increased by 63% compared to the last reporting period. With rapid test runs on automation device, more frequent use of showroom, as well as full operation of the new automatic production line for T8 fluorescent tubes that achieves higher production efficiency, the overall purchased electricity consumption has a 57% increase compared to last reporting period.

| Energy Consumption Sources | Consumption (in individual unit) | Consumption (in kWh) |
|---|---|---|
| Purchased Electricity | 915,577 kWh | 915,577 |
| Petrol | 3,921.48 Litres | 34,751 |

*A2.2 Water Consumption*

Throughout the reporting period, the Group consumed 4,576 $m^3$ of fresh water, with an intensity of 0.38 $m^3/m^2$. Fresh water was sourced from municipal water supply system for industry use.

*A2.3 Energy Use Efficiency Initiatives*

The Group has established and been promoting energy-saving initiatives in office and production lines. Employees at office are advised to adjust air conditioning at optimal temperatures during summer and winter for energy saving purposes.

Frontline staff are encouraged to complete tasks within the statutory working hours, by such to avoid unnecessary electricity usage. Unless for specific circumstance, no more than four-hour over-time work shall be performed on a daily basis. The Group suggests green procurement in administrative offices' operation where priorities are given to electronic appliances with the highest energy efficiency. Office staff are advised to conserve energy by switching off all the unnecessary power after work. In case of repeated non-compliance of the above measures, warning will be issued, and the matter will be taken into consideration of the performance.

*A2.4 Water Use Efficiency Initiatives*

The Group's business did not involve significant use of water, hence no information related to water use efficiency initiatives is being presented in this report. There was no issue identified in sourcing water that is fit for purpose in the reporting period.

*A2.5 Packaging Materials*

A wide variety of packaging materials were consumed for different presentations of final products according to clients' requirement. A total amount of 16.52 tonnes of carton boxes, gift boxes and polyethylene plastic bags were used for packaging purpose. Other packaging materials including wrapping paper, polypropylene box, inflatable packaging, nylon cable ties, stickers and tapes were consumed.

## A3. The Environment and Natural Resources

*A3.1 Significant Impacts of Activities on the Environment*

The Group's business nature does not generate significant environmental impacts. Nevertheless, the Group commits to continue making effort to minimise the use of resources and related impact to the natural environment, as well as complying with relevant laws and regulations in the PRC.

## B. SOCIAL

### 1. Employment and Labour Practices

#### *B1. Employment*

The Group strictly abides by laws, rules and regulations enforced by the PRC in relation to employment and labour rights, including but not limited to the followings:

- The Labour Law of the PRC;
- The Labour Contract Law of the PRC; and
- The Social Insurance Law of the PRC.

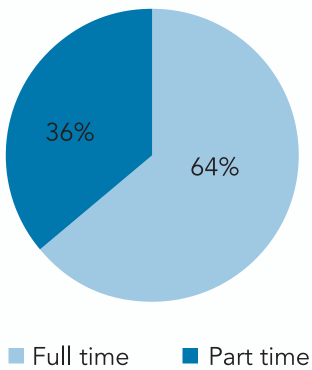
The Employees' Handbook serves as the guideline and working procedure to manage employment and labour-related practices. The Human Resources (HR) Department is composed of professionals with extensive experience, whose ability and personal character have received high reputation among the industry for many years.

No cases of material non-compliance in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the reporting period.

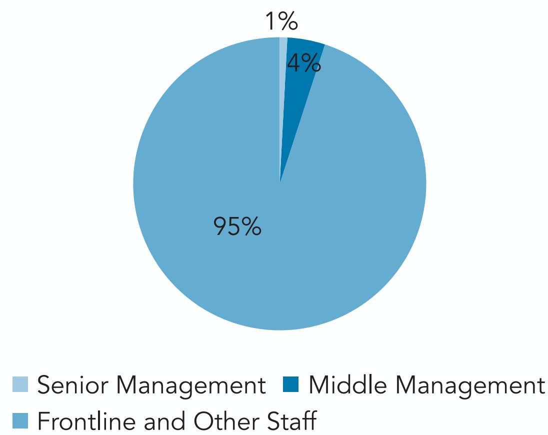
As of 30 April 2019, the Group had a total number of 810 employees, with an 285% increase compared to the last reporting period, attributing to the increase demand in workforce associated with production line upgrade. While 64% of employees worked in a full-time basis, seasonal workers were employed as part-time employees during peak seasons that accounted for 36% in total workforce.

The Group tends to recruit employees in summer period and graduation season, which attracts youth with diverse talents, potential abilities and readily ability to absorb knowledge from training. More workforce from young generation, ranging from 18–25, were recruited during the reporting period, which accounted for a 23% increase as compared to the last reporting period. The total workforce sorted by gender, age group and employee category, employment type and geographical region are shown below.

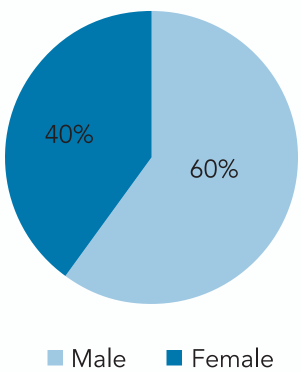
Distribution of Employees by Employment Type



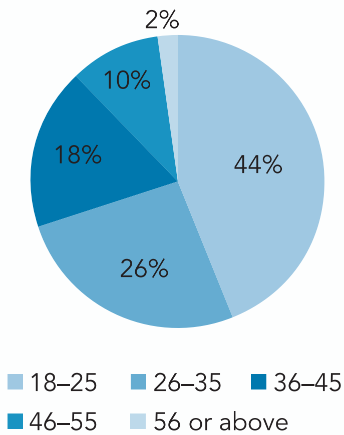

Distribution of Employees by Employee Category



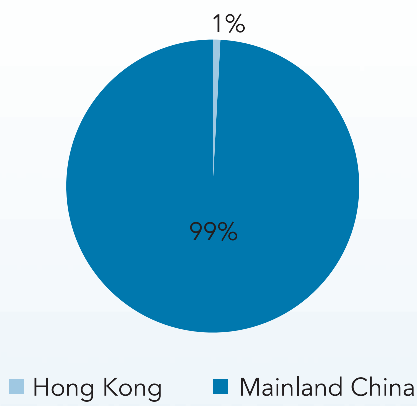

Distribution of Employees by Gender




Distribution of Employees by Age Group




Distribution of Employees by Geographical Region



*Recruitment, Compensation, and Benefits*

The recruitment processes are managed by the HR Department, and all departments are required to communicate the employment needs to the HR Department on a regular basis and fill in the Application Form for Personnel Recruitment when recruitment needs arise.

The Group fully protects employees' personal data. For example, staff salary and compensation data are kept confidentially and cannot be disclosed. The base salary is formulated depending on the position or function of the staff, under the guidance of the Remuneration Level Standard Table.

Employees' rights and benefits, including public holidays, annual paid leave, sick leave, maternity leave have been formulated and executed per the Labour Law of the PRC, and the internal procedure on the Attendance and Leave Management System.

The Group does not encourage over-time (OT) work. For specific circumstance, no more than four hours OT work shall be performed on a daily basis. Approval from department supervisors on OT application and the compensation arisen from OT work is required according to the Group's Salary and Welfare Management System.

Employees have been provided with medical insurance, social insurance coverage, and Housing provident fund. Free accommodation has also been provided to employees. A wide variety of activities, including birthday parties, year-end banquets and various cultural activities are arranged to foster employees' sense of belongingness and their engagement at work. Festive gifts are given to employees at Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival to share the Joy in these in these special occasions. Campaign was held on International Women's Day to celebrate and show support for women's rights and female employees.

*Evaluation and Appraisal System*

The Group implements a systematic evaluation and appraisal system to ensure each employee's performance is evaluated objectively in an unbiased manner. Two major types of assessment were established: 1) Job Performance Assessment which assesses job performance according to job duties, management methods, daily operations, etc. and 2) Department Performance Assessment which assesses departmental performance according to strategic objectives, departmental responsibility, duty planning, management ability, etc. The results of the evaluation are used for multiple purposes. For example, to be used as the basis for performance bonus, probation period evaluation, and employees' promotion. Those salary being deducted due to poor performances of employees will be used as a bonus for other employees and/or funding for company's special events. Employees that score higher than 90 in the annual performance evaluation gain opportunity to have a raise in salary and/or a promotion.

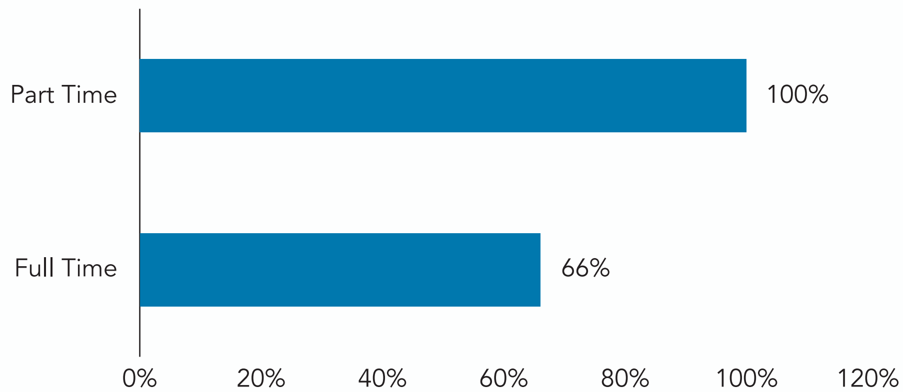
*Equal Opportunity*

Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, ethnic background, religion, color, sexual orientation, age, marital status, family status. The Group has implemented a comprehensive Anti-harassment and Abuse System. Any suspicious activities reported to the Group via following means: mailbox, telephone or SMS, or report in person to the HR Department or Trade Unions are confidentially treated following the Group's Anti-harassment and Abuse Policy.

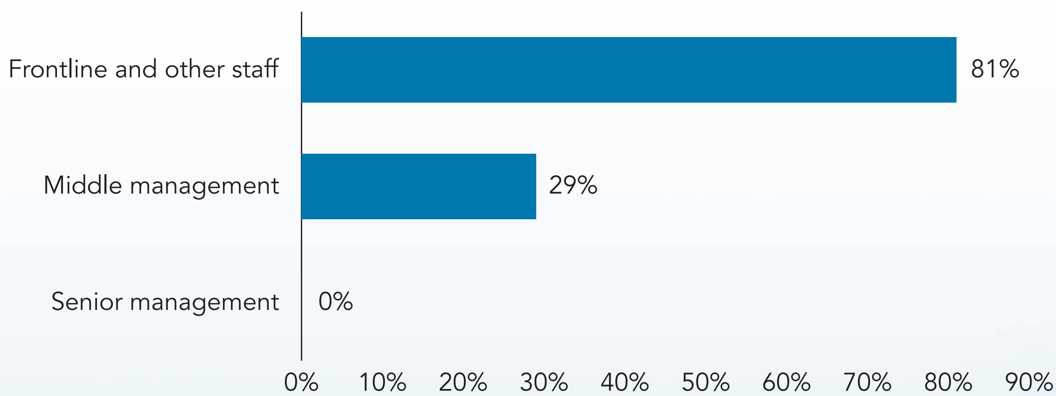
*Turnover*

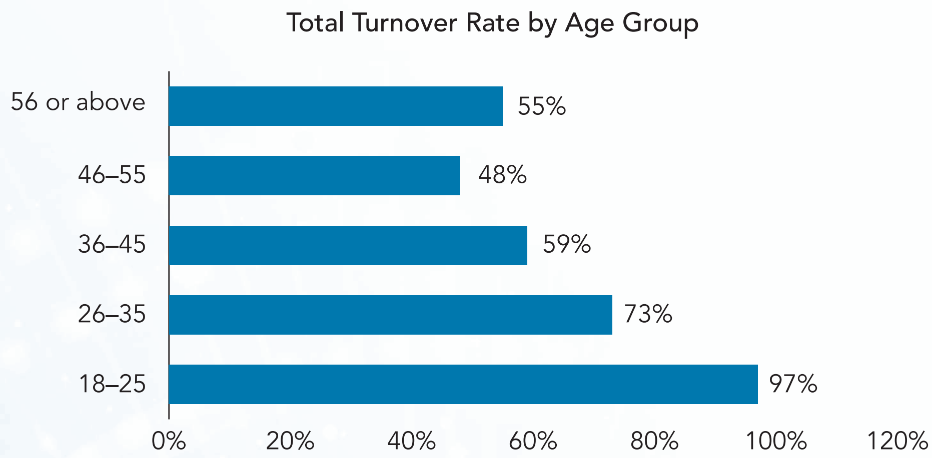
A total number of 633 employees left the Group during the reporting period, all of which were from the PRC, with a turnover rate of 78% (2017/18: 48.57%). Attributed by the economic environment, employees get new jobs more easily in the recruitment industry, thereby the workforce choose not to return after holiday by taking up job opportunities closer to home. The Group offers competitive salary package to retain quality employees and aim to reduce the employee turnover. One of the retention strategies include rewarding employees with bonus.

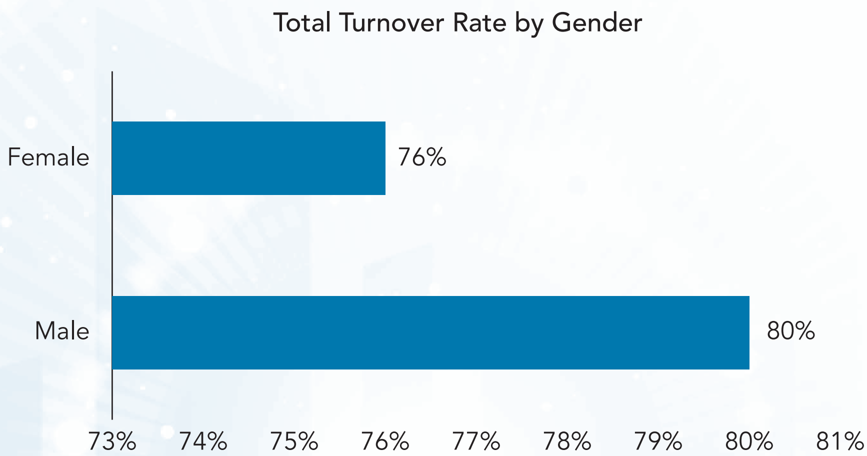
Total Turnover Rate by Employment Type

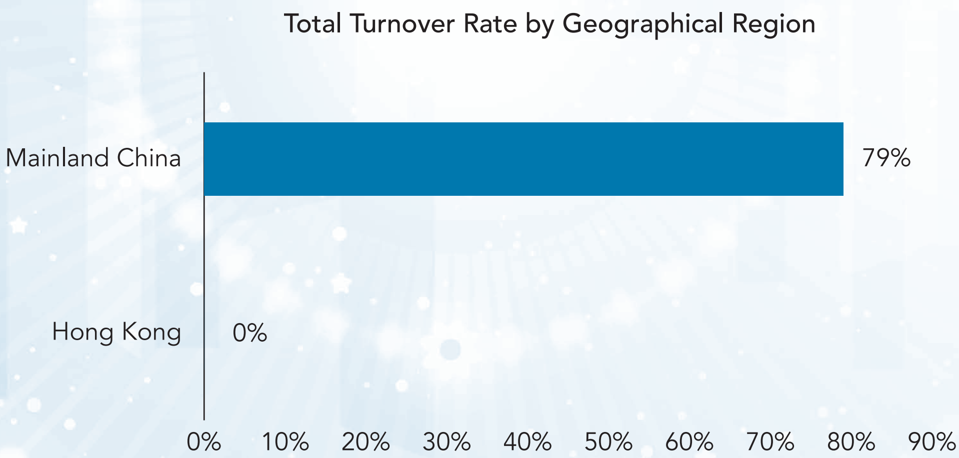



Total Turnover Rate by Employee Category




Total Turnover Rate by Age Group
56 or above
55%
46–55
48%
36–45
59%
26–35
73%
18–25
97%
0%
20%
40%
60%
80%
100%
120%


Total Turnover Rate by Gender
Female
76%
Male
80%
73%
74%
75%
76%
77%
78%
79%
80%
81%


Total Turnover Rate by Geographical Region
Mainland China
79%
Hong Kong
0%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%

### B2. *Employee Health and Safety*

The Group strictly complies with all applicable laws and regulations in relation to occupational health and safety (OHS), including but not limited to the Law of the PRC on the Prevention and Control of Occupational Diseases.

The Group has formulated a series of policies and measures to manage OHS at workplace. The overall OHS Policy is structured by the HR Department and managed by full-time personnel, where regular checks and reviews are conducted to ensure the effectiveness during the implementation of the policies. The Groups' departments are responsible for implementing and monitoring the practices within their individual department.

The work areas and emergency exits are kept clear of obstacles. Regular fire drill exercise is performed at work to prepare workers to respond quickly and orderly during fire emergency. The manufacturing process of LED lighting relies mainly on electricity and involves minimal air pollutants that poses health risks to workers.

Instructions on operation of machinery detail the application procedures and provide guidance to the workers. In addition, the development of automation in manufacturing prevents workers from repetitive motion injuries which eventually improves work safety in factory.

No material noncompliance with relevant laws and regulations which may have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards had been identified during the reporting period.

As of 30 April 2019, 1 work-related injury was recorded, with a total 2 lost days recorded. The department team leader further explains the operating procedures and reminds of the areas of attention to newcomers.

| Occupational Health and Safety Data in 2018/2019 | |
|---|---|
| Work related fatality | 0 |
| Work injury cases >3 days | 0 |
| Work injury cases ≤3 days | 1 |
| Lost days due to work injury | 2 days |

### B3. *Development and Training*

The Group believes training programme is essential to strengthen employees' capabilities to grow with the business. Being certified under ISO 9001 Quality Management System, the Group serves employees' on-job training as key value. During the reporting period, all employees received trainings, the total training hours and the average training hours per employee were 1,112 hours and 1.37 hours per employee respectively.

Orientation and operational training have been arranged by the corresponding departments at Dongguan manufacturing site. For new employee in particular, various induction trainings are provided, which cover topics including factory regulations, safety education, OHS education and labour protection. On-the-job trainings are provided to existing employees on OHS training and handling of machinery so as to enhance their working ability, productivity and efficiency.

| | | |
|---|---|---|
| Number of Employee Receiving Training | | 810 |
| Total Training Hours | | 1,112 |
| *By employee category* | | |
| Senior Management | Number of employees receiving training | 10 |
| | Percentage of employees trained | 100% |
| | Average training hours completed per employee | 0.50 |
| Middle management | Number of employees receiving training | 31 |
| | Percentage of employees trained | 100% |
| | Average training hours completed per employee | 0.50 |
| Frontline and other staff | Number of employees receiving training | 769 |
| | Percentage of employees trained | 100% |
| | Average training hours completed per employee | 1.42 |
| *By gender* | | |
| Male | Number of employees receiving training | 488 |
| | Percentage of employees trained | 149% |
| | Average training hours completed per employee | 1.48 |
| Female | Number of employees receiving training | 322 |
| | Percentage of employees trained | 100% |
| | Average training hours completed per employee | 1.21 |

*B4. Labour Standards*

There was no child labour nor forced labour in the Group's operation, Pursuant to the Labour Law of the PRC. The HR Department has established practices to ensure prevention of child and forced labour. Job candidates' identification documents are checked to ensure that they are legally entitled to work for the Group or otherwise employment contract is not entered into. At the point of employment, new employees are required to complete the registration form and provide supporting documents as proof of previous employment.

In case of violation, the personnel will be subject to fines and/or termination of the contract in accordance to relevant regulations. Legal proceedings will also be applied if necessary. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour had been identified during the reporting period.

## 2. Operating Practices

*B5. Supply Chain Management*

The Group selects suppliers based on quality, price, and service. As of 30 April 2019, the Group has engaged 194 suppliers, of which 192 were from the PRC and 2 were from Hong Kong. They offer a wide variety of products and services including provision of LED, plastics, gift boxes, packaging materials, office supplies, resistors, printed circuit board and wires.

*B6. Product Responsibility*

The Group strives for the excellence of product quality and assurance. All the products are manufactured in accordance to the quality management system standard ISO9001:2008 and complied with the standards developed in the Underwriters Laboratories (UL) and Counter Strike (CS) certification systems.

As certified with UL Mark, the Group's products have met the minimum requirements of the applicable safety standards set out in UL's Standards for Safety.

The Group has formulated a system which monitors and controls all the stages involved for a product. A Production Plan is first formulated after order confirmation with customers. After entering production stage, regular production progress assessment is performed to ensure the production meets the scheduled deadline. The final products are required to undergo a series of quality assessment including Lighting Quality System (LQC) 100% testing, LQC 100% visual inspection and Outgoing Quality Control sampling inspection before delivery. If the product is found defective, technicians would perform test and identify faulty light bulb for replacement.

During the reporting period, the Group has developed a fully automated production line for the manufacturing of T8 fluorescent tubes. This new production line not only increases the capacity and has higher production rates, but also assures to deliver products with better quality, reduces factory lead times and reduces risk of human error.

No cases of material noncompliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided had been identified during the reporting period.

*Customer Service*

The Group commits to providing quality customer services. A handling procedure for customer complaints is established to timely manage and resolve clients' complaints. The Quality Department shall examine the returned products and decide whether they should be either scrapped, inventoried, or re-manufactured. Root cause analysis shall be performed on each complain to address and analyse the problems, followed by the implementation of corrective measures when necessary. In response to the identified problems, preventive actions shall be timely executed to avoid reoccurrences and prevent future costs. All the received cases would be saved for future review.

*Intellectual Property (IP)*

The Group pays great attention in managing both internal and external IP. The Group highly appreciates the preservation of IP rights and strictly upholds the Patent Law of the PRC. During the reporting period, the Group applied for 10 patent protections in the PRC which were pending for approval.

| Patent Name | Patent Application Number | Patent Type |
|---|---|---|
| A waterproofing and handy-to-install decorative lighting | 201920344802.2 | New Application |
| A splicing device for decorative lamps | 201920263903.7 | New Application |
| A high-efficiency intelligent lamp for agricultural planting | 201920263916.4 | New Application |
| A LED decorative light with power share used in campus | 201920263910.7 | New Application |
| A high-efficiency solar decorative light capable of intelligent monitoring | 201920344632.8 | New Application |
| An elongated decorative light | 201920344785.2 | New Application |
| A series of multi-layer intelligent luminaires | 201920344790.3 | New Application |
| A courtyard lamp with excellent monitoring performance | 201920263904.1 | New Application |
| A smart lamp with convenient wires | 201920263908.X | New Application |
| A LED decorative lamp with heat dissipation structure | 201920344647.4 | New Application |

The Group also signs Confidentiality Agreement with clients to enforce respect for their IP rights when appropriate. No cases of material noncompliance with relevant laws and regulations that have a significant impact on the Group relating to IP rights had been identified in the reporting period.

*Data Protection*

The Group strictly protects consumers, customers, and suppliers' data. The Information Technology (IT) Department manages and regulates information related to the Group, which is jointly supervised by various departments. To further protect the data, technology, and sensitive information of the Group, the suppliers and customers, employees are required to sign the Confidentiality and Competition Restriction Agreement.

### *B7. Anti-corruption*

The Employees' Handbook has a chapter on Code of Ethics that guides ethical behaviors and self-discipline of the employees. Employees are prohibited to accept any remuneration, gifts or other special treatment.

A comprehensive whistleblowing procedure is executed. Mutual supervision between departments and employees are implemented. Any suspicious activities and/or violation may be reported to the board directly. Employees shall report to the Group in the event of any external activities resulting in a commission or any other kinds of benefits.

During the reporting period, there was no concluded legal cases regarding corrupt practices brought against the Group or its employees. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the reporting period.

### *B8. Community Investment*

The Group did not have policies on community engagement, nor did the Group participate in community engagement activities in the reporting period. The Group will consider potential focus areas for community contribution in future.

# REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 30 April 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its principal subsidiaries are engaged in trading and manufacturing of LED lighting products.

## RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 30 April 2019 is set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 51 of this report and the financial position of the Group as at 30 April 2019 is set out in the Consolidated Statement of Financial Position on page 52 of this report. The Directors do not recommend the payment of a final dividend for the year ended 30 April 2019.

## BUSINESS REVIEW

A business review of the Group, including a description of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report; and a description of the environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" of this annual report. These discussions form part of this "Report of the Directors".

## COMPLIANCE WITH LAWS AND REGULATIONS

The Directors realize the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination or suspension of operation. The Group has been allocating resources to ensure compliance with laws and regulations. For the year, the Group has, to the best of the Directors' knowledge, complied with all relevant laws and regulations that have a significant impact on the Group.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 30 April 2019 is set out on page 116 of this report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 April 2019, the aggregate sales to the Group's five largest customers accounted for approximately 56.6% (2018: 64.6%) of the total revenue and the largest customer included therein amounted to approximately 13.6% (2018: 20.7%) of the total revenue. The Group's five largest suppliers accounted for approximately 33.1% (2018: 46.1%) of the total purchases for the year ended 30 April 2019 and the largest supplier included therein amounted to approximately 16.0% (2018: 12.2%) of the total purchases.

None of the Directors, any of their close associates (as defined in the GEM Listing Rules) or any of the shareholders of the Company which, to the best of the Directors' knowledge, own more than 5% of the Company's issued share capital, has any beneficial interest in the Group's major customers or major suppliers during the year ended 30 April 2019.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 30 April 2019 are set out in Note 15 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves and distributable reserves of the Group and the Company during the year ended 30 April 2019 are set out in the Consolidated Statement of Changes in Equity and Summarised Financial Information of the Company on page 114 of the annual report and in Note 37(b) to the consolidated financial statements respectively.

As at 30 April 2019, the Company had no distribution reserve available for distribution to the shareholders.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 30 April 2019 are set out in Note 29 to the consolidated financial statements.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**" or the "**Scheme**") for the purpose of recognizing and acknowledging the contributions that eligible participants have made or may make to the Group. The Share Option Scheme became effective on 16 November 2017 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date. No option has been granted by the Company under the Scheme since its adoption.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 50,000,000 shares, representing 10% of the issued share capital of the Company.

For further details of the Share Option Scheme, please refer to Note 31 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

## DIRECTORS

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

*Executive Directors*
Mr. Shiu Kwok Leung
Mr. Shao Xu Hua
Mr. Yuen Lai Him

*Independent Non-executive Directors*
Mr. Wong Ting Kon
Ms. Lo Ching Yee
Mr. Cheng Hok Ming Albert

Pursuant to the Articles, Mr. Yuen Lai Him and Mr. Cheng Hok Ming Albert shall hold office until the 2019 AGM. All of the above Directors are eligible for re-election at the 2019 AGM.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme as disclosed in the section headed "Share Option Scheme" above, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is 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.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2019 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

## CONTRACT OF SIGNIFICANCE

No contract of significance (including those for provision of services to the Company or any of its subsidiaries by the controlling shareholders) has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors and the directors of the Company's associated companies is currently in force and was in force throughout the year.

## EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Company are set out in Note 11 to the consolidated financial statements in this annual report.

## EMOLUMENT POLICY

The Remuneration Committee will review and determine and the Board will approve the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

## MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the year.

## RELATED PARTY TRANSACTIONS

Details of the material related party transactions entered into by the Group are set out in Note 34 to the consolidated financial statements. These related party transactions constitute de minimis continuing connected transactions of the Company that are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 20.74 of the GEM Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 April 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long position in ordinary shares of the Company

| Name of Director | Capacity/nature of interest | Number of shares | Approximate percentage+ of shareholding in the Company |
|---|---|---|---|
| Mr. Shiu Kwok Leung | Interest of controlled corporation | 234,000,000 *(Note 1)* | 46.8% |
| Mr. Yuen Lai Him | Interest of spouse | 30,000,000 *(Note 2)* | 6.0% |

*Notes:*

1. These shares are held by Real Charm Corp, which is wholly and beneficially owned by Mr. Shiu Kwok Leung. Accordingly, Mr. Shiu Kwok Leung is deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

2. Mr. Yuen Lai Him is deemed to be interested in these shares of the Company through the interest of his spouse, Ms. Giang Maryanne Phung-van.

\+ The percentage represents the number of ordinary shares involved divided by the number of issued shares of the Company as at 30 April 2019.

Save as disclosed above, as at 30 April 2019, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 April 2019, the following parties (other than the Directors or the chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

### Long position in ordinary shares of the Company

| Name of shareholder | Capacity/nature of interest | Number of shares | Approximate percentage+ of shareholding in the Company |
|---|---|---|---|
| Real Charm Corp | Beneficial owner | 234,000,000 *(Note 1)* | 46.8% |
| Ms. Chung Yu Chun | Interest of spouse | 234,000,000 *(Note 2)* | 46.8% |
| Multi Tech Creation Limited | Beneficial owner | 30,000,000 *(Note 3)* | 6.0% |
| Ms. Giang Maryanne Phung-van | Interest of controlled corporation | 30,000,000 *(Note 3)* | 6.0% |

*Notes:*

1. The above interest of Real Charm Corp was also disclosed as the interest of Mr. Shiu Kwok Leung in the above section headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company".

2. Ms. Chung Yu Chun is deemed to be interested in these shares of the Company through the interest of her spouse, Mr. Shiu Kwok Leung.

3. These shares are held by Multi Tech Creation Limited, which is wholly and beneficially owned by Ms. Giang Maryanne Phung-van, spouse of Mr. Yuen Lai Him. The above interest of Ms. Giang Maryanne Phung-van was also disclosed as the interest of Mr. Yuen Lai Him in the above section headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company".

+ The percentage represents the number of ordinary shares involved divided by the number of issued shares of the Company as at 30 April 2019.

Save as disclosed above, as at 30 April 2019, the Company was not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 April 2019.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules.

## COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the year ended 30 April 2019.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective close associates has engaged in or has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the year ended 30 April 2019.

## INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6.19 of the GEM Listing Rules, the Company has appointed Ample Capital Limited to be the compliance adviser. As notified by Ample Capital Limited, as at 30 April 2019, neither Ample Capital Limited, its directors, employees and close associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT COMMITTEE

The audit committee of the Company was established on 24 October 2017. The Audit Committee consists of three members, namely Mr. Wong Ting Kon (Chairman), Ms. Lo Ching Yee and Mr. Cheng Hok Ming Albert, all being independent non-executive Directors. The primary duties of the Audit Committee are to review the Company's financial information and reporting process, risk management and internal control systems, relationship with external auditors and arrangements for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee has reviewed the audited condensed consolidated financial statements of the Group for the year ended 30 April 2019.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company has applied the principles as set out in the CG Code set out in Appendix 15 to the GEM Listing Rules. The Board considers that the Company has complied with the CG Code during the year ended 30 April 2019.

## AUDITOR

HLB Hodgson Impey Cheng Limited, the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment at the 2019 AGM. A resolution will be submitted to the 2019 AGM to seek shareholders' approval on the re-appointment of HLB Hodgson Impey Cheng Limited as the Company's auditor until the conclusion of the next annual general meeting.

By Order of the Board
**Bortex Global Limited**
**Shiu Kwok Leung**
*Chairman*

Hong Kong, 11 July 2019

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

TO THE SHAREHOLDERS OF
BORTEX GLOBAL LIMITED
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Bortex Global Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 46 to 115, which comprise the consolidated statement of financial position as at 30 April 2019, 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 30 April 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the Key Audit Matter |
|---|---|

**Allowance for expected credit losses assessment of trade receivables**

Refer to Note 20 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.

The Group had trade receivables with gross carrying amount of approximately HK$62,890,000 (2018: HK$41,827,000) and provision for allowance for expected credit losses of approximately HK$1,089,000 (2018: Nil).

Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.

We focused on this area due to the allowance for expected credit losses assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's allowance for expected credit losses assessment of the trade receivables as at 30 April 2019 included:

- understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;

- Checking, on a sample basis, the ageing profile of the trade receivables as at 30 April 2019 to the underlying financial records and post year-end settlements to bank receipts;

- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and

- Assessing the appropriateness the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the provision to be supportable by available evidence.

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment on goodwill**<br>Refer to Note 17 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements. | |
| The Group has goodwill of approximately HK$8,634,000 relating to LED Manufacturing business as at 30 April 2019. The management performed impairment assessment on goodwill allocated to the cash generating unit and concluded that no impairment was recognised.<br><br>This conclusion was based on value-in-use model that required significant management judgement with respect to the discount rate and underlying cash flows in particular to the growth rates used. Independent external valuation was obtained in order to support management's estimates. | Our procedures in relation to management's impairment assessment on goodwill included:<br><br>• Evaluating the independent valuer's competence, capabilities and objectivity;<br><br>• Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts;<br><br>• Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and<br><br>• Checking, on a sampling basis, the accuracy and relevance of the input data used.<br><br>We found that the assumptions were supported by the available evidence. |
| **Carrying value of inventories**<br>Refer to Note 19 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements. | |
| As at 30 April 2019, the Group had inventories of approximately HK$25,918,000. The management estimated the net realisable values of inventories by reference to the sale proceeds received after the end of the reporting period less selling expenses, which involve management estimation. | Our procedures in relation to management's assessment on carrying value of inventories included:<br><br>• Obtaining an understanding of how the management estimated the net realisable value of inventories and evaluating the historical accuracy of the allowance estimation by management;<br><br>• Evaluating management's assessment of provision of inventories with reference to their aging, the condition of inventories during our observation of physical inventory count; and<br><br>• Selecting sample of inventories and reviewing their net realisable values with reference to their selling prices subsequent to the end of the reporting period.<br><br>We found the carrying values of the inventories was supported by the available evidence. |

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 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.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Wong Sze Wai, Basilia**
Practising Certificate Number: P05806

Hong Kong, 11 July 2019

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 April 2019*

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| Revenue | 6 | 162,035 | 151,228 |
| Cost of sales | | (112,962) | (108,454) |
| Gross profit | | 49,073 | 42,774 |
| Other income | 7 | 682 | 385 |
| Net reversal of allowance for expected credit losses | | 37 | – |
| Selling and distribution expenses | | (3,521) | (3,908) |
| Administrative expenses | | (16,570) | (26,194) |
| Finance costs | 8 | (322) | (1,233) |
| Profit before taxation | 9 | 29,379 | 11,824 |
| Taxation | 12 | (5,961) | (4,375) |
| **Profit for the year** | | 23,418 | 7,449 |
| **Other comprehensive (loss)/income for the year, net of tax** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Change in fair value of available-for-sale financial assets | | – | (201) |
| Exchange differences on translation of foreign operations | | (4,523) | 5,686 |
| Other comprehensive (loss)/income for the year, net of tax | | (4,523) | 5,485 |
| **Total comprehensive income for the year** | | 18,895 | 12,934 |
| Profit for the year attributable to equity owners of the Company | | 23,418 | 7,449 |
| **Total comprehensive income for the year attributable to equity owners of the Company** | | 18,895 | 12,934 |
| **Earnings per share attributable to equity owners of the Company** | | | |
| Basic and diluted (HK cents) | 14 | 4.68 | 1.91 |

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

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 30 April 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 18,018 | 16,115 |
| Goodwill | 17 | 8,634 | 9,181 |
| Available-for-sale financial asset | 18 | – | 2,365 |
| Financial assets at fair value through profit or loss | 18 | 2,738 | – |
| Deferred tax assets | 28 | 243 | – |
| | | 29,633 | 27,661 |
| **Current assets** | | | |
| Inventories | 19 | 25,918 | 25,213 |
| Trade receivables | 20 | 61,801 | 41,827 |
| Deposits, prepayments and other receivables | 21 | 11,670 | 6,871 |
| Fixed deposits | 22 | 9,524 | 10,117 |
| Cash and cash equivalents | 22 | 16,266 | 23,836 |
| | | 125,179 | 107,864 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade payables | 23 | 13,736 | 10,834 |
| Accruals, other payables and receipts in advance | 24 | 2,858 | 9,269 |
| Contract liabilities | 25 | 472 | – |
| Bank borrowings | 26 | 7,002 | 1,773 |
| Obligation under finance lease | | | |
| — due within one year | 27 | 660 | 953 |
| Tax payables | | 6,730 | 6,641 |
| | | 31,458 | 29,470 |
| **Net current assets** | | 93,721 | 78,394 |
| **Total assets less current liabilities** | | 123,354 | 106,055 |
| **Non-current liabilities** | | | |
| Obligation under finance lease | | | |
| — due over one year | 27 | – | 660 |
| **Net assets** | | 123,354 | 105,395 |
| **Equity** | | | |
| Share capital | 29 | 5,000 | 5,000 |
| Reserves | | 118,354 | 100,395 |
| **Total equity** | | 123,354 | 105,395 |

The consolidated financial statements on page 46 to 115 were approved and authorized for issue by the Board of Directors on 11 July 2019 and are signed on its behalf by:

**Shiu Kwok Leung**
*Director*

**Yuen Lai Him**
*Director*

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 April 2019*

| | Share capital HK$'000 | Share premium HK$'000 | Statutory reserve HK$'000 *(note ii)* | Translation reserve HK$'000 | Available-for-sale financial asset reserve HK$'000 | Other reserve HK$'000 *(note i)* | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 May 2017 | – | – | – | (1,010) | 476 | 1 | 46,093 | 45,560 |
| Profit for the year | – | – | – | – | – | – | 7,449 | 7,449 |
| Change in fair value of available-for-sale financial assets | – | – | – | – | (201) | – | – | (201) |
| Exchange differences on translation of foreign operations | – | – | – | 5,686 | – | – | – | 5,686 |
| Total comprehensive income for the year | – | – | – | 5,686 | (201) | – | 7,449 | 12,934 |
| Issue of share under capitalisation | 3,000 | (3,000) | – | – | – | – | – | – |
| Issue of shares under public offer | 2,000 | 58,000 | – | – | – | – | – | 60,000 |
| Transaction costs attributable to issue of shares | – | (13,099) | – | – | – | – | – | (13,099) |
| At 30 April 2018 and 1 May 2018 | 5,000 | 41,901 | – | 4,676 | 275 | 1 | 53,542 | 105,395 |
| Adoption of HKFRS 9 (note iii) | – | – | – | – | (275) | – | (661) | (936) |
| Adjusted balance at 1 May 2018 | 5,000 | 41,901 | – | 4,676 | – | 1 | 52,881 | 104,459 |
| Profit for the year | – | – | – | – | – | – | 23,418 | 23,418 |
| Exchange differences on translation of foreign operations | – | – | – | (4,523) | – | – | – | (4,523) |
| Total comprehensive (loss)/income for the year | – | – | – | (4,523) | – | – | 23,418 | 18,895 |
| Transfer to statutory reserve | – | – | 1,223 | – | – | – | (1,223) | – |
| At 30 April 2019 | 5,000 | 41,901 | 1,223 | 153 | – | 1 | 75,076 | 123,354 |

*Notes:*

(i) Other reserve represents the difference between the Company's share of nominal value of the paid-up capital of the subsidiary acquired over the Company's cost of acquisition of the subsidiary under the common control upon the reorganisation.

(ii) In accordance with the Articles of Association of a subsidiary established in the PRC, they required to transfer 10% of the profit after taxation to the statutory reserve until the reserve 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(iii) Upon the adoption of HKFRS 9 "Financial Instrument" on 1 May 2018, an accumulated impact of HK$661,000 was recorded as an adjustment to the retained earnings as at 1 May 2018, which represented the impairment loss allowance net of deferred tax impact. Details of adjustment are set out in note 2 to the consolidated financial statement.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 30 April 2019*

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before income tax | 29,379 | 11,824 |
| **Adjustments for:** | | |
| Depreciation of property, plant and equipment | 2,916 | 2,662 |
| Loss on disposals of property, plant and equipment | 45 | 369 |
| Interest income | (234) | (52) |
| Interest expenses | 322 | 1,233 |
| Reversal of allowance for expected credit losses | (37) | – |
| Fair value gain on financial assets at fair value through profit or loss | (373) | – |
| **Operating cash flows before working capital changes** | 32,018 | 16,036 |
| Decrease/(increase) in inventories | 705 | (602) |
| Increase in trade receivables | (19,745) | (210) |
| (Increase)/decrease in deposits, prepayments and other receivables | (4,527) | 3,256 |
| Increase/(decrease) in trade payables | 4,090 | (7,980) |
| (Decrease)/increase in accruals, other payables and receipts in advance | (6,139) | 4,404 |
| Increase in contract liabilities | 472 | – |
| **Net cash generated from operations** | 6,874 | 14,904 |
| Interest paid | (322) | (1,233) |
| Income tax paid | (6,028) | (3,169) |
| **Net cash generated from operating activities** | 524 | 10,502 |
| **Investing activities** | | |
| Interest received | 234 | 52 |
| Proceeds from disposals of property, plant and equipment | – | 44 |
| Increase of time deposit | – | (10,117) |
| Purchases of property, plant and equipment | (5,627) | (5,744) |
| **Net cash used in investing activities** | (5,393) | (15,765) |
| **Financing activities** | | |
| Proceeds from issue shares under the public offer, net | – | 46,901 |
| Proceeds from bank borrowings | 8,974 | 2,925 |
| Repayment on bank borrowings | (3,745) | (27,186) |
| Repayment of obligation under finance lease | (953) | (912) |
| **Net cash generated from financing activities** | 4,276 | 21,728 |
| **Net (decrease)/increase in cash and cash equivalents** | (593) | 16,465 |
| **Cash and cash equivalents at the beginning of the year** | 23,836 | 8,502 |
| **Effect of exchange rate changes on cash and cash equivalents** | (6,977) | (1,131) |
| **Cash and cash equivalents at the end of the year** | 16,266 | 23,836 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash and cash equivalents | 16,266 | 23,836 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 April 2019*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Flat A, 11th Floor, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company's issued shares have been listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of the Hong Kong Limited ("**Stock Exchange**") on 16 November 2017 (the "**Listing Date**").

The Company is an investment company. The Group principally engages in trading and manufacturing of LED lighting products.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") is also the functional currency of the Company and all values are rounded to the nearest thousand except otherwise indicated.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS")

The Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC)–Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

*For the year ended 30 April 2019*

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") *(Continued)*

### Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

| Consolidated statement of financial position (extract) | 30 April 2018 HK$'000 | HKFRS 9 HK$'000 | HKFRS 15 HK$'000 | 1 May 2018 HK$'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Available for sale assets | 2,365 | (2,365) | – | – |
| Financial assets at fair value through profit or loss | – | 2,365 | – | 2,365 |
| Deferred tax assets | – | 237 | – | 237 |
| Current assets | | | | |
| Trade receivables | 41,827 | (1,108) | – | 40,719 |
| Deposit, Prepayments and other receivables | 6,871 | (65) | – | 6,806 |
| **Current liabilities** | | | | |
| Receipt in advance | 3,407 | – | (3,407) | – |
| Contract liabilities | – | – | 3,407 | 3,407 |
| Net current assets | 78,394 | (1,173) | – | 77,221 |
| Net assets | 105,395 | (936) | – | 104,459 |
| Capital and reserves | | | | |
| Reserves | 100,395 | (936) | – | 99,459 |

### HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, and (2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 May 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 May 2018. The difference between carrying amounts as at 30 April 2018 and the carrying amounts as at 1 May 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") *(Continued)*

### Summary of effects arising from initial application of HKFRS 9

***Classification and measurement of financial assets and financial liabilities***

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 May 2018.

| | Available-for-sale financial asset reserve HK$'000 | Available-for-sale financial asset HK$'000 | Financial assets at FVTPL HK$'000 | Retained earnings HK$'000 |
|---|---|---|---|---|
| Closing balance at 30 April 2018 – HKAS 39 | 275 | 2,365 | – | – |
| Effect arising from initial application of HKFRS 9: | | | | |
| Reclassification | | | | |
| From available-for-sale financial assets | (275) | (2,365) | 2,365 | 275 |
| Opening balance at 1 May 2018 | – | – | 2,365 | 275 |

*From available-for-sale financial assets to financial assets at FVTPL*

Investment in a life contract with a fair value of HK$2,365,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL, as the investment is held as long-term strategic investments that do not represent solely payments of principal and interest, so they do not meet the HKFRS 9 criteria for classification at amortised cost.

Classification and measurement of financial assets and financial liabilities at amortised cost:

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost except derivative financial instruments which are continued to be recognised at fair value under HKFRS 9 as financial assets at fair value through profit or loss.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

*Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables, amount due from related parties, fixed deposits, and cash and cash equivalents, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

*For the year ended 30 April 2019*

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") *(Continued)*

### Other financial assets measured at amortised cost

As at 1 May 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The following tables summarized the impact, net of tax, of transition HKFRS 9 on the opening balance of reserves as 1 May 2018 as follow:

| | Available-for-sale financial asset reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 30 April 2018 | | | |
| Transfer of available-for-sale financial asset reserve | (275) | 275 | – |
| Increase in ECL in | | | |
| — Trade receivables | – | (1,108) | (1,108) |
| — Deposits, prepayments and other receivables | – | (65) | (65) |
| — Deferred tax assets | – | 237 | 237 |
| At 1 May 2018, restated | (275) | (661) | (936) |

All loss allowances, including trade receivables and deposit, prepayments and other receivables as at 30 April 2018 reconciled to the opening loss allowances as at 1 May 2018 are as follows:

| | Trade receivables HK$'000 | Deposits, prepayments and other receivables HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 30 April 2018 — HKAS 39 | | | |
| Amounts re-measured through opening | | | |
| — Retained earnings | (1,108) | (65) | (1,173) |
| At 1 May 2018 — HKFRS 9 | (1,108) | (65) | (1,173) |

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") *(Continued)*

### HKFRS 15 Revenue from Contracts with Customers and the related amendments

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

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance which are included in accruals, other payables and receipt in advance of HK$3,407,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 May 2018.

### New and revised HKFRSs in issue but not yet effective

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

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[2] |
| HK(IFRIC)–Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 3 | Definition of a Business[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[5] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle[1] |

1 Effective for annual periods beginning on or after 1 May 2019
2 Effective for annual periods beginning on or after 1 May 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 May 2020
5 Effective for annual periods beginning on or after 1 May 2020

*For the year ended 30 April 2019*

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") *(Continued)*

### HKFRS 16 "Leases"

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

HKFRS 16 distinguishes leases and services contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As set out in note 35, total operating lease commitment of the Group in respect of its office and factory premise as at 30 April 2019 was amounting to approximately HK$17,957,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact in the Group's results at this stage but it is expect certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements includes applicable disclosures required by the GEM Listing Rules and by disclosure requirements of the Hong Kong Companies Ordinance Cap.622.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of preparation *(Continued)*

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Basic of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its return.

The Group reassesses whether or not it controls an investee if facts and circumstance indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit and loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Revenue Recognition and Other Income Recognition (Applicable upon 1 May 2018)

*Revenue from contracts with customers (Upon application of HKFRS 15 on 1 May 2018)*

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or 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 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.

Revenue from the sales of LED decorative lighting and LED luminaire lighting are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 0 to 120 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

*For the year ended 30 April 2019*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue Recognition and Other Income Recognition (Applicable upon 1 May 2018) *(Continued)*

*Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

*Government grants*

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

### Revenue recognition (Applicable before 1 May 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) *Sales of goods*

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

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

(ii) *Interest income*

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

(iii) *Government grants*

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

*For the year ended 30 April 2019*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

### Leasing

Leases are classified as finance lease 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 Group as lessee*

Assets held under finance leases are recognised as asset of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum leases payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest in the remaining balance of the liability. Finance expenses are recognize immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the reporting period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

In preparing the consolidated financial statements of each individual group entities, transactions in currencies other than that entity's foreign currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the reporting period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is nether planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the combined statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Leasehold improvement | 10 years |
| Furniture and office equipment | 5 to 10 years |
| Plant and machinery | 5 to 10 years |
| Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Dividend

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

### Financial instruments (applicable upon 1 May 2018)

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

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 May 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments (applicable upon 1 May 2018) *(Continued)*

***Financial assets***

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

*Specifically*

a. debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Amortised cost and effective interest method *(Continued)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

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

### Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) trade receivables and other receivables

(b) cash and bank balances

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

*For the year ended 30 April 2019*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

***Measurement and recognition of ECLs***

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated 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, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

***Measurement and recognition of ECLs*** *(Continued)*

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Presentation of allowance for ECL in the combined statements of financial position

Loss allowances for ECL are presented in the combined statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the combined statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the combined statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial liabilities

Financial liabilities, including other payables, amounts due to related companies, amount due to a related party and secured borrowings are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Equity instruments

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

### Financial instruments (Applicable before 1 May 2018)

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' (**FVTPL**), 'held-to-maturity' investments, 'available-for-sale' (**AFS**) financial assets and '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.

*For the year ended 30 April 2019*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets *(Continued)*

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

*Available-for-sale financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset reserve is reclassified to profit or loss.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the combined statement of profit or loss and other comprehensive income.

*For the year ended 30 April 2019*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets *(Continued)*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables, amounts due from a director and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as a default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the 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 current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets *(Continued)*

*Impairment of financial assets (Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### Financial liabilities

*Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Other financial liabilities*

Other financial liabilities (including trade payables, accruals, other payables and receipts in advance, obligation under finance leases and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

*For the year ended 30 April 2019*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial liabilities *(Continued)*

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the group are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties transactions

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

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
- (b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member);
- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i);
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Segment reporting

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

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

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent form other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

### (b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

*For the year ended 30 April 2019*

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### (c) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

### (d) Estimated allowance for expected credit losses of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 36.

### (e) Provision of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

### (f) Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

### (g) Impairment of goodwill

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainly and might materially differ from the actual results. In making these key estimates and judgement, management of the Group takes into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

*For the year ended 30 April 2019*

## 5. SEGMENT REPORTING

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the reporting period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs. Therefore, the executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in designing, manufacturing and trading of LED lighting products. The executive directors allocate resources and assess performance on an aggregate basis. Accordingly, no operating segment is presented.

### Geographical information

The Group's revenue from external customers is divided into the following geographical areas:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Canada | 21,968 | 31,155 |
| Taiwan | 10,690 | 10,264 |
| The US | 15,796 | 16,868 |
| The PRC, excluding Hong Kong | 86,939 | 46,964 |
| Hong Kong | 15,958 | 40,259 |
| Others *(note)* | 10,684 | 5,718 |
| | 162,035 | 151,228 |

*Note:* Others include the Brazil, France, Japan, Philippines, Thailand, South Africa and Italy.

The following is an analysis of the Group's non-current assets, excluding goodwill, deferred tax assets and financial assets at fair value through profit or loss/available-for-sale financial assets, by their geographical location:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Hong Kong | 561 | 117 |
| The PRC, excluding Hong Kong | 17,457 | 15,998 |
| | 18,018 | 16,115 |

## 5. SEGMENT REPORTING *(Continued)*

### Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Customer A | 21,968 | 31,250 |
| Customer B | 18,759 | – |
| Customer C | 18,027 | 15,374 |
| Customer D | –* | 26,399 |
| Customer E | 17,478 | –* |

As at 30 April 2019, 38.3% (2018:69.3%) of the Group's trade receivables were due from these customers.

* The customers contributed less than 10% of the total revenue of the Group.

## 6. REVENUE

Revenue, which is also the Group's turnover, represent the revenue generated by trading and manufacturing of LED decorative lighting products and LED luminaire lighting products, net of return, discounts and sales related taxes, during the reporting period.

All revenue contract as for period of one year less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contract is not disclosed. All revenue were recognised at point in time.

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| LED decorative lighting | 132,954 | 120,279 |
| LED luminaire lighting | 29,081 | 30,949 |
| | 162,035 | 151,228 |

## 7. OTHER INCOME

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Fair value gain on financial assets at fair value through profit or loss | 373 | – |
| Sales of scrap material | 55 | 112 |
| Interest income | 234 | 52 |
| Government grant | 20 | 108 |
| Others | – | 113 |
| | 682 | 385 |

*For the year ended 30 April 2019*

## 8. FINANCE COSTS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Interest expenses on: | | |
| — bank borrowings wholly repayable within five years | 229 | 1,101 |
| — obligation under finance lease | 54 | 95 |
| | 283 | 1,196 |
| Bank charges | 39 | 37 |
| | 322 | 1,233 |

## 9. PROFIT BEFORE TAXATION

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Profit before taxation has been arrived after charging: | | |
| Auditors' remuneration | 1,190 | 1,345 |
| Cost of inventories recognized as an expense | 112,962 | 108,454 |
| Depreciation of property, plant and equipment | 2,916 | 2,662 |
| Employee benefit expenses (including directors' emoluments) *(note 10)* | 21,503 | 15,704 |
| Minimum lease payments under operating leases | 3,773 | 3,345 |
| Net reversal of allowance for expected credit losses | (37) | – |
| Listing expenses | | |
| — Audit and reporting accountants services | – | 1,320 |
| — Others | – | 8,438 |
| Foreign exchange losses/(gain), net | 161 | (580) |
| Written-off of property, plant and equipment | – | 369 |
| Loss on disposal of property, plant and equipment | 45 | – |
| Research and development expenses | 61 | 70 |

## 10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR' EMOLUMENTS)

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Directors' fees | 360 | 180 |
| Salaries, allowances and benefits in kind | 19,303 | 14,087 |
| Retirement scheme contributions | 1,840 | 1,437 |
| | 21,503 | 15,704 |

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Pursuant to the GEM Listing Rules and section 383 of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about benefits of Directors) Regulation (Cap. 622G), the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Directors' fees | 360 | 180 |
| Salaries, allowances and benefits in kind | 2,310 | 1,631 |
| Retirement scheme contributions | 36 | 24 |
| | 2,706 | 1,835 |

The emoluments of each of the directors during the year ended are set out below:

| | For the year ended 30 April 2019 | | | | |
|---|---|---|---|---|---|
| | Directors' fees<br>HK$'000 | Salaries allowance and benefits in kind<br>HK$'000 | Discretionary bonuses<br>HK$'000 | Retirement benefits scheme contribution<br>HK$'000 | Total<br>HK$'000 |
| Executive directors: | | | | | |
| Mr. Shiu Kwok Leung *(Note a)* | – | 978 | – | 18 | 996 |
| Mr. Shao Xu Hua *(Note b)* | – | 675 | – | – | 675 |
| Mr. Yuen Lai Him ***(Note c)*** | – | 657 | – | 18 | 675 |
| Independent non-executive directors: | | | | | |
| Mr. Wong Ting Kon *(Note a)* | 120 | – | – | – | 120 |
| Ms. Lo Ching Yee *(Note a)* | 120 | – | – | – | 120 |
| Mr. Cheng Hok Ming Albert *(Note a)* | 120 | – | – | – | 120 |
| Total emoluments | 360 | 2,310 | – | 36 | 2,706 |

*For the year ended 30 April 2019*

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (a) Directors' emoluments *(Continued)*

| | For the year ended 30 April 2018 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Salaries allowance and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Retirement benefits scheme contribution HK$'000 | Total HK$'000 |
| **Executive directors:** | | | | | |
| Mr. Shiu Kwok Leung *(Note a)* | – | 618 | – | 15 | 633 |
| Mr. Shao Xu Hua *(Note b)* | – | 675 | – | – | 675 |
| Mr. Yuen Lai Him *(Note c)* | – | 338 | – | 9 | 347 |
| **Independent non-executive directors:** | | | | | |
| Mr. Wong Ting Kon *(Note a)* | 60 | – | – | – | 60 |
| Ms. Lo Ching Yee *(Note a)* | 60 | – | – | – | 60 |
| Mr. Cheng Hok Ming Albert *(Note a)* | 60 | – | – | – | 60 |
| Total emoluments | 180 | 1,631 | – | 24 | 1,835 |

*Notes:*

(a) Mr. Wong Ting Kon, Ms. Lo Ching Yee and Mr. Cheng Hok Ming Albert were appointed as independent non-executive directors of the company on 24 October 2017.

### (b) Five highest paid individuals

The five highest paid employees of the Group included 2 and 3 directors for the years ended 30 April 2018 and 2019 respectively. The emoluments of the remaining individual are analysed as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Non-director | 1,092 | 1,963 |

Details of the remuneration of the above non-director, highest paid employee during the year ended are as follow:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Salaries, allowance and benefits in kind | 1,076 | 1,927 |
| Discretionary bonus | – | – |
| Retirement scheme contributions | 16 | 36 |
| | 1,092 | 1,963 |

The number of the highest paid individuals who are not the Directors of the Company whose remuneration fell within the following bands is as follows:

| | No. of individuals 2019 | 2018 |
|---|---|---|
| Nil to HK$1,000,000 | 2 | 3 |

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (c) Senior management of the Group

The emoluments of senior management (including the Directors as disclosed in Note 11(a)) are within the following bands:

| | No. of senior management | |
|---|---|---|
| | 2019 | 2018 |
| Nil to HK$1,000,000 | 5 | 5 |

During the year ended, no emoluments were paid by the Group to the directors and non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the reporting period.

## 12. TAXATION

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Current tax: | | |
| — the PRC | 4,075 | 1,539 |
| — Hong Kong | 1,892 | 2,845 |
| | 5,967 | 4,384 |
| Deferred tax | (6) | (9) |
| Total taxation | 5,961 | 4,375 |

### Hong Kong Profits Tax

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$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 30 April 2018.

### PRC enterprise income tax ("EIT")

PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulation in the PRC.

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and the Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% during the reporting period.

*For the year ended 30 April 2019*

## 12. TAXATION *(Continued)*

The income tax expense for the reporting period can be reconciled to the accounting profit at applicable income tax rate as follows:

| | 2019 HK$'000 | | 2018 HK$'000 | |
|---|---|---|---|---|
| Profit before taxation | 29,379 | | 11,824 | |
| Tax at applicable income tax rate (16.5%) | 4,848 | 16.5% | 1,951 | 16.5% |
| Effect of tax rate in other countries | 1,253 | 4.3% | 458 | 3.9% |
| Tax effect of expenses not taxable or not deductible for tax purpose | 45 | 0.1% | 1,966 | 16.6% |
| Statutory tax concession | (185) | (0.6)% | – | – |
| Taxation | 5,961 | 20.3% | 4,375 | 37.0% |

## 13. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend For the year ended 30 April 2019. (2018: Nil).

## 14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The calculation of basis earnings per share attributable to the owners of the Company is based on the following data:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Earnings: | | |
| Earning for the purpose of calculation basic earnings per share — Profit for the year attributable to the owners of the Company | 23,418 | 7,449 |

| | 2019 '000 | 2018 '000 |
|---|---|---|
| Number of shares: | | |
| Number of ordinary shares for the purpose of calculation basic earnings per share — Profit for the year attributable to owners of the Company | 500,000 | 390,959 |

Diluted earnings per share for the years ended 30 April 2019 and 2018 were the same as the basic earnings per share as there were no potential ordinary shares in issue for both years.

*For the year ended 30 April 2019*

## 15. PROPERTY, PALNT AND EQUIPMENT

| | Leasehold improvement HK$'000 | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 May 2017 | 3,315 | 19,076 | 268 | 165 | 788 | 23,612 |
| Additions | – | 5,096 | 398 | 90 | 160 | 5,744 |
| Written-off/disposal | – | (1,295) | – | – | (100) | (1,395) |
| Exchange realignment | 329 | 1,295 | 27 | 18 | 39 | 1,708 |
| As at 30 April 2018 and 1 May 2018 | 3,644 | 24,172 | 693 | 273 | 887 | 29,669 |
| Additions | 2,295 | 3,233 | – | – | 99 | 5,627 |
| Written-off/disposal | – | (76) | – | – | – | (76) |
| Exchange realignment | (217) | (1,141) | (41) | (11) | (31) | (1,441) |
| As at 30 April 2019 | 5,722 | 26,188 | 652 | 262 | 955 | 33,779 |
| **Accumulated depreciation** | | | | | | |
| As at 1 May 2017 | 525 | 9,904 | 99 | 68 | 685 | 11,281 |
| Charge for the year | 364 | 2,112 | 75 | 42 | 69 | 2,662 |
| Written-off/disposal | – | (885) | – | – | (97) | (982) |
| Exchange realignment | 52 | 490 | 10 | 8 | 33 | 593 |
| As at 30 April 2018 and 1 May 2018 | 941 | 11,621 | 184 | 118 | 690 | 13,554 |
| Charge for the year | 476 | 2,252 | 69 | 63 | 56 | 2,916 |
| Written-off/disposal | – | (31) | – | – | – | (31) |
| Exchange realignment | (54) | (585) | (10) | (7) | (22) | (678) |
| As at 30 April 2019 | 1,363 | 13,257 | 243 | 174 | 724 | 15,761 |
| **Carrying values** | | | | | | |
| As at 30 April 2019 | 4,359 | 12,931 | 409 | 88 | 231 | 18,018 |
| As at 30 April 2018 | 2,703 | 12,551 | 509 | 155 | 197 | 16,115 |

As at 30 April 2019, the carrying amounts of the Group's property, plant and machinery include amounts of approximately HK$2,575,000 (2018: HK$3,013,000), in respect of assets held under finance leases.

*For the year ended 30 April 2019*

## 16. SUBSIDIARIES

Upon the completion of the Reorganisation, the Company had direct or indirect interest in the following subsidiaries:

| Name of Company | Place of incorporation/ registration and operation | Issued/ paid up capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Harvest Mount Global Enterprises Limited | Incorporated on 5 November 2010 in the British Virgin Islands (the "BVI") | US$100 | 100% | – | Investment holding |
| Bortex International Limited | Incorporated on 30 December 2008 in Hong Kong | HK$100 | – | 100% | Marketing and trading of LED lighting products in Hong Kong |
| Bortex Holdings Limited | Incorporated on 10 November 2011 in Hong Kong | HK$100 | – | 100% | Investment holding |
| 東莞市濠亮實業有限公司 | Incorporated on 29 December 2004 in the PRC | USD1,000,000 | – | 100% | Manufacturing and trading of LED lighting products in the PRC |

As at the date of this report, no audited financial statement has been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

*For the year ended 30 April 2019*

## 17. GOODWILL

| | HK$'000 |
|---|---|
| **Cost:** | |
| At 1 May 2017 | 8,351 |
| Exchange realignment | 830 |
| At 30 April 2018 and 1 May 2018 | 9,181 |
| Exchange realignment | (547) |
| **At 30 April 2019** | **8,634** |
| **Accumulated impairment losses:** | |
| At 1 May 2017, 30 April 2018, 1 May 2018 and 30 April 2019 | – |
| **Carrying amount:** | |
| **At 30 April 2019** | **8,634** |
| At 30 April 2018 | 9,181 |

The goodwill was recognised upon the completion of the acquisition of the entire issued share capital of 東莞市濠亮實業有限公司 on 14 May 2013.

Goodwill had been allocated to the business relating to manufacturing and trading of LED lighting products. Management considered this as a single CGU for the purpose of impairment testing of the goodwill.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to the CGU as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| LED manufacturing business | 8,634 | 9,181 |

The recoverable amount of the CGU has been determined by value-in-use calculations based on cash flow projections from formally approved budgets covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using an estimated terminal growth rate of 3%, which does not exceed the long-term growth rate for the relevant industry in the PRC. The rate used to discount the forecasted cash flow for CGU is 19.78% per annum (2018: 19.33%). In the opinion of the directors, no impairment loss is required for the year ended 30 April 2019 (2018: Nil). Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

*For the year ended 30 April 2019*

## 17. GOODWILL *(continued)*

The key assumptions used in the value in use calculations are as follows:

| | |
|---|---|
| Budgeted market share | Average market share in the period immediately before the budget period. The value assigned to the assumption reflect past experience |
| Budgeted gross margin | Average gross margins achieved in the period immediately before the budget period which reflect the past experience |
| Discount rates | Using a weighted average cost of capital to calculate a pre-tax rate that reflect current market assessment of the time value of money and risk specific to the asset |
| Terminal growth rates | Calculated based on the expected rate of inflation projected by the IMF, represents the rate at which the cash flow will grow perpetually after the final year of projection |

## 18. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Available-for-sale financial assets at, fair value | | |
| Investment in a life insurance contract | – | 2,365 |
| | | |
| Financial asset at fair value through profit or loss | | |
| Investment in a life insurance contract | 2,738 | – |

During the year ended 30 April 2014, the Group entered into a contract with an insurance company. The contract contains life insurance policies to insure against the death of one of the key members of management of the Group, with an aggregate insured sum of US$1 million (equivalent to approximately HK$7.75 million). Under the contract, the beneficiary and policyholder is Bortex International which made upfront payments of US$280,000 (equivalent to approximately HK$2,090,000) during the year ended 30 April 2014.

Available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss upon the initial application of HKFRS 9 at 1 May 2018.

*For the year ended 30 April 2019*

## 19. INVENTORIES

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Raw materials | 3,023 | 3,736 |
| Work-in-progress | 14,649 | 13,101 |
| Finished goods | 8,246 | 8,376 |
| | 25,918 | 25,213 |

## 20. TRADE RECEIVABLES

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Trade receivables | 62,890 | 41,827 |
| Less: Allowance for expected credit losses | (1,089) | – |
| | 61,801 | 41,827 |

The Group's trade receivables are attributable to a number of independent customers with credit. The Group normally allows a credit period of 0 days to 120 days to its customers.

*Note:*

Ageing analysis of trade receivables, based on invoice date, as at the end of each reporting periods are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Within 60 days | 55,822 | 33,941 |
| 61–90 days | 699 | 2,736 |
| 91–180 days | 6,369 | 3,841 |
| 181–365 days | – | 1,309 |
| | 62,890 | 41,827 |

## 20. TRADE RECEIVABLES *(continued)*

### Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK$2,000 as at 30 April 2019 (2018:HK$5,400,000) which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

| | 2018<br>HK$'000 |
|---|---|
| Overdue by: | |
| Within 60 days | 4,073 |
| 61–90 days | – |
| 91–180 days | 18 |
| Over 180 days | 1,309 |
| | 5,400 |

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there were no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The Group's policy for impairment loss on trade receivable is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balance.

*For the year ended 30 April 2019*

## 20. TRADE RECEIVABLES *(continued)*

### Movements in the allowances for expected credit losses of trade receivables

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in HKFRS 9 for the year ended 30 April 2019. Details of the ECL assessment are set out in Note 36.

| | Total<br>HK$'000 |
|---|---|
| Balance as at 30 April 2018 under HKAS 39 | – |
| Adjustment upon application of HKFRS 9 (note 2) | 1,108 |
| Adjusted balance as at 1 May 2018 | 1,108 |
| Allowance for expected credit losses | 1,089 |
| Reverse of allowance of ECL (Note) | (1,108) |
| Balance as at 30 April 2019 | 1,089 |

Note: Reversal of allowance of ECL is due to the Group's recovery of trade receivables.

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Deposits | 1,565 | 2,683 |
| Prepayments | 7,193 | 3,897 |
| Other receivables | 2,958 | 291 |
| | 11,716 | 6,871 |
| Less: Allowance for expected credit losses | (46) | – |
| | 11,670 | 6,871 |

*For the year ended 30 April 2019*

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

### Movements in the allowances for expected credit losses of trade receivables

Movement in lifetime ECL that has been recognised for deposits and other receivables in accordance with the simplified approach set out in HKFRS 9 for the year ended 30 April 2019.

| | Total HK$'000 |
|---|---|
| Balance as at 30 April 2018 under HKAS 39 | – |
| Adjustment upon application of HKFRS 9 | 64 |
| Adjusted balance as at 1 May 2018 | 64 |
| Allowance for expected credit losses | 46 |
| Reverse of allowance of ECL (Note) | (64) |
| Balance as at 30 April 2019 | 46 |

Note: Reversal of allowance of EC is due to the Group's recovery of deposits and receivables.

## 22. CASH AND CASH EQUIVALENTS

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Cash and bank balances | 16,266 | 23,836 |
| Fixed deposits | 9,524 | 10,117 |
| Balance at the end of the year | 25,790 | 33,953 |

Cash and cash equivalents represent cash at banks and in hand. Short term fixed deposits is made for period of three months with an interest rate of 1.95% (2018: period of six months with an interest rate of 3.45%) per annum. Cash at banks carried interest at average market rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 April 2019, the Group has cash and cash equivalents of the Group denominated in Renminbi amounted to approximately HK$18,032,000 (2018: HK$16,539,000) placed with the banks in the PRC respectively. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

*For the year ended 30 April 2019*

## 23. TRADE PAYABLES

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Trade payables | 13,736 | 10,834 |

Credit periods of trade payables normally granted by its suppliers were ranging from 0 to 180 days throughout the reporting period.

Ageing analysis of trade payables, based on invoice date, at the end of the reporting period is as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Within 60 days | 10,959 | 5,796 |
| 61–90 days | 742 | 286 |
| 91–180 days | 962 | 1,605 |
| 181–365 days | 812 | 2,880 |
| Over 365 days | 261 | 267 |
| | 13,736 | 10,834 |

All amounts are short-term and hence the directors considered that carrying amounts of trade payables are considered to be a reasonable approximation of their fair values.

## 24. ACCRUALS, OTHER PAYABLES AND RECEIPTS IN ADVANCE

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Accruals | 2,338 | 5,135 |
| Receipts in advance *(note)* | – | 3,407 |
| Other payables | 520 | 727 |
| | 2,858 | 9,269 |

The carrying amounts of accruals, other payables and receipts in advance are short-term and hence the directors considered that their carrying values are considered to be a reasonable approximation of their fair values.

*Note:* Upon initial adoption of HKFRS 15, as at 1 May 2018, the receipts in advance of HK$3,407,000 related to sales of LED lighting are reclassified to contract liabilities.

*For the year ended 30 April 2019*

## 25. CONTRACT LIABILITIES

| | HK$'000 |
|---|---|
| Balance at 1 May 2018 | 3,407 |
| Adjustment upon adoption of HKFRS 15 | |
| Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year | (3,407) |
| Increase in contract liabilities excluding amounts recognised a revenue during the year | 472 |
| **Balance at 30 April 2019** | **472** |

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration.

## 26. BANK BORROWINGS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Secured bank borrowings *(note a, b, c, d, e and f)* | 7,002 | 1,773 |
| Carrying amount repayable *(note i)*: | | |
| Within one year | 7,002 | 1,773 |
| Over 1 year but within 2 years | – | – |
| Over 2 years but within 5 years | – | – |
| | 7,002 | 1,773 |
| Less: Amount classified as current liabilities secured term loan due within 1 year or contain a repayment on demand clause | 7,002 | 1,773 |
| Amount classified as non-current liabilities | – | – |
| Fixed-rate bank borrowings *(note a)* | 5,000 | – |
| Variable-rate bank borrowings *(note b, c, d and e)* | 2,002 | 1,773 |
| | 7,002 | 1,773 |

*Notes:*

(a) The secured fixed-rate bank borrowings of approximately HK$5,000,000 (2018: Nil) as at 30 April 2019 were pledged by the fixed deposit of approximately HK$9,524,000 (equivalent to approximately RMB8,171,000).

(b) The secured variable-rate bank borrowings of approximately HK$2,002,000 as at 30 April 2019 (2018: HK$1,773,000) was guaranteed by corporate guarantee of the Company and the subsidiary of the Group and secured by the Group's financial assets at fair value through profit or loss/available-for-sale financial asset with fair value of approximately HK$2,738,000 (2018: HK$2,365,000) as at 30 April 2019.

(c) The secured variable-rate bank borrowings of approximately HK$1,720,000 as at 30 April 2018 in note (b) are repayable within one year and bear interest at HKD BLR-1% per annum.

(d) The secured variable-rate bank borrowings of approximately HK$2,002,000 as at 30 April 2019 in note (b) are repayable within one year and bear interest at 2.5% per annum over 1 month HIBOR.

(e) The secured variable-rate bank borrowings of approximately HK$53,000 (equivalent to US$7,000) as at 30 April 2018 in note (b) are repayable within five years and bear interest at USD BLR0.5% per annum and with mature on 24 June 2018.

(f) All of the bank borrowings are repayable on demand. The amounts due are based on the scheduled repayment dates set out in the loan agreements.

*For the year ended 30 April 2019*

## 27. OBLIGATION UNDER FINANCE LEASE

| | Minimum lease payment | | PV of minimum lease payment | |
|---|---|---|---|---|
| | As at 30 April | | | |
| | 2019<br>HK$'000 | 2018<br>HK$'000 | 2019<br>HK$'000 | 2018<br>HK$'000 |
| Amounts payable under finance lease: | | | | |
| Within one year | 670 | 1,007 | 660 | 953 |
| In the second year | – | 670 | – | 660 |
| In the third year | – | – | – | – |
| In the fourth year | – | – | – | – |
| In the fifth year | – | – | – | – |
| | 670 | 1,677 | 660 | 1,613 |
| Less: Future finance charges | (10) | (64) | – | – |
| Present value of lease obligations | 660 | 1,613 | 660 | 1,613 |
| Less: Amount due within one year shown under current liabilities | | | (660) | (953) |
| Amount due over one year shown under non-current liabilities | | | – | 660 |

During the years ended 30 April 2019 and 2018, the lease term is 5 years. Interest rates underlying all obligation under finance leases are fixed at respective contract rates ranged 4.6% (2018: 4.6%) per annum. Obligation under finance lease is denominated in Hong Kong dollars. The obligations under finance lease is secured by the lessor's charge over the leased assets and guaranteed by the directors of the Company, Mr. Shao Xu Hua and corporate guarantee of certain subsidiary of the Group and personal guarantee of its director, Mr. Shao Chi Liang. The directors of the Company represented the personal guarantee were released and replaced by the corporate guarantee of the Company during the year ended 30 April 2018.

## 28. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Deferred tax asset | 243 | – |
| Deferred tax liabilities | – | – |
| | 243 | – |

*For the year ended 30 April 2019*

## 28. DEFERRED TAX ASSETS *(Continued)*

Details of the deferred tax balances of the Group recognised and movements during the reporting period are as follows:

| | Allowance for expected credit losses | Depreciation allowances in excess of the related depreciation | Total |
|---|---|---|---|
| | | HK$'000 | |
| At 1 May 2017 | – | (9) | (9) |
| Charged to consolidated statement of profit of loss | – | 9 | 9 |
| At 30 April 2018 and 1 May 2018 | – | – | – |
| Intitial adoption of HKFRS 9 (Note 2) | 237 | – | 237 |
| At 1 May 2018 , restated | 237 | – | 237 |
| Charged to consolidated of profit of loss (note 12) | 6 | – | 6 |
| **At 30 April 2019** | 243 | – | 243 |

## 29. SHARE CAPITAL

| | Number of shares | HK$'000 |
|---|---|---|
| Authorised: | | |
| At 1 May 2017 with par value of HK$0.01 *(note a)* | 38,000,000 | 380 |
| Increase of authorised share capital with par HK$0.01 each on 24 October 2017 *(note b)* | 9,962,000,000 | 99,620 |
| At 30 April 2018, 1 May 2018 and 30 April 2019 | 10,000,000,000 | 100,000 |
| Issue and fully paid: | | |
| At 1 May 2017 with par value of HK$0.01 *(note a)* | 10,000 | – |
| Issue of shares under the public offer *(note c)* | 200,000,000 | 2,000 |
| Issue of shares under capitalization Issue | 299,990,000 | 3,000 |
| At 30 April 2018, 1 May 2018 and 30 April 2019 | 500,000,000 | 5,000 |

*For the year ended 30 April 2019*

## 29. SHARE CAPITAL *(Continued)*

*Notes:*

(*) The amounts of issued and fully paid share capital was HK$100.

(a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 380,000,000 shares of HK$0.01 each. On 30 January 2014, 10,000 shares was allotted and issued.

(b) Pursuant to the written resolutions of the sole shareholder of the Company (the "**Shareholder**") passed on 24 October 2017, the authorised share capital of the Company increased from HK$380,000 to HK$100,000,000 by creation of an additional of 9,962,000,000 shares of HK$0.01 each.

(c) On 16 November 2017, the Company issued 200,000,000 new shares at HK$0.3 each in relation to the Share Offer. The premium on the issue of Shares, amounting to approximately HK$44,901,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

(d) Pursuant to the written resolutions of the sole Shareholder passed on 24 October 2017, conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares under the Share Offer, the Directors were authorised to allot and issue a total of 299,990,000 Shares credited as fully paid at par to the Shareholders whose names appears on the register of members of our Company at the close of business on 27 October 2017 (or another date as the Directors may direct) by way of capitalisation of the sum of HK$2,999,900 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to such resolution shall rank pari passu in all respects with the existing issued Shares.

## 30. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,500 per month (HK$1,500 since 1 June 2014). No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

*For the year ended 30 April 2019*

## 31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of recognizing and acknowledging the contributions that eligible participants have made or may make to the Group. The Share Option Scheme became effective on 16 November 2017 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

Eligible participants of the Share Option Scheme include any director, employee (full time or part time), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**"); (ii) the trustee of any trust the beneficiary of which or any discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

The maximum number of shares issuable under share options granted to each eligible participant in the Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

A grant of share options under the Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted, to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

Subject to the Board discretion, the period of acceptance of offer of a grant of share options under the Scheme shall be not less than three business days and not longer than the remaining life of the Share Option Scheme. The offer shall be deemed accepted by the grantee upon non-refundable payment of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

During the year ended 30 April 2019, the Company did not grant any share option under the share option scheme.

*For the year ended 30 April 2019*

## 32. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Financial assets at fair value through profit or loss/<br>Available-for-sale financial asset | 2,738 | 2,365 |
| Fixed deposits | 9,524 | – |

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Obligation under finance lease<br>HK$'000 | Bank borrowings<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| At 1 May 2017 | 2,525 | 24,052 | 26,577 |
| Change from financing cash flows: | | | |
| New bank loan raised | – | 2,925 | 2,925 |
| Repayment of bank loans | – | (27,186) | (27,186) |
| Repayment of obligation under finance lease | (912) | – | (912) |
| Exchange alignment | – | 1,982 | 1,982 |
| At 30 April 2018 and 1 May 2018 | 1,613 | 1,773 | 3,386 |
| Change from financing cash flows: | | | |
| New bank loan raised | – | 8,974 | 8,974 |
| Repayment of bank loans | – | (3,745) | (3,745) |
| Repayment of obligation under finance lease | (953) | – | (953) |
| At 30 April 2019 | 660 | 7,002 | 7,662 |

## 34. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in notes 11, 22, 26 and 27 of the consolidated financial statements, the Group entered into the following significant related party transactions during the reporting period.

### Compensation of key management personnel

The Directors of the Company are identified as key management members of the Group and their compensation during the reporting period is set out in note 11.

*For the year ended 30 April 2019*

## 35. OPERATING LEASE ARRANGEMENTS

### The group as lessee

The Group has future minimum lease payments in respect of head office and production properties. At the end of each reporting period, the Group had commitment for future minimum lease payment under non-cancellable operating leases which fall due as follow:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Within one year | 420 | 3,128 |
| In the second to fifth years | 13,115 | 11,631 |
| Over five years | 4,422 | 7,027 |
| | 17,957 | 21,786 |

As at 30 April 2019, leases are negotiated for a range from 1 to 10 years and rentals are fixed over the terms and do not include contingent rentals. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

## 36. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

### (a) Categories of financial assets and liabilities

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale financial assets | – | 2,365 |
| Financial asset at fair value through profit or loss | 2,738 | – |
| Amortised cost/Loans and receivables (including cash and cash equivalents): | | |
| Trade receivables | 61,801 | 41,827 |
| Deposits and other receivables | 4,524 | 2,974 |
| Fixed deposits | 9,524 | 10,117 |
| Cash and cash equivalents | 16,266 | 23,836 |
| | 94,853 | 81,119 |

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Financial liabilities** | | |
| Financial liabilities measure at amortised cost: | | |
| Trade payable | 13,736 | 10,834 |
| Accruals and other payables | 2,858 | 9,269 |
| Obligation under finance lease | 660 | 1,613 |
| Bank borrowings | 7,002 | 1,773 |
| | 24,256 | 23,489 |

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Currency risk

The Group operates in Hong Kong and the PRC with most of transactions denominated and settled in US$, HK$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Assets | | |
| US$ | 10,776 | 17,605 |
| RMB | 70,263 | 44,477 |
| | 81,039 | 62,082 |
| Liabilities | | |
| US$ | 679 | 3,460 |
| RMB | 15,026 | 15,403 |
| | 15,705 | 18,863 |

*Sensitivity analysis*

As US$ is pegged to HK$, the Group does not expect any significant movement in the HK$/US$ exchange rate. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of directors of the Company.

Such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as the reporting dates.

The following table details the Group's sensitivity to a 5% change in RMB against HK$, represents management's assessment of the reasonably change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year.

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| RMB | 1,717 | 1,091 |

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Currency risk *(Continued)*

***Sensitivity analysis*** *(Continued)*

Sensitivity analysis of the Group's exposure to foreign currency risk at the end of each reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the years.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next reporting period. The analysis is performed on the same basis for the reporting period.

### (c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings which bore interests at fixed and floating interest rates. Bank borrowings bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

***Sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates on bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the ended of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

For the variable-rate bank borrowings, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit For the year ended 30 April 2019 would decrease/increase by approximately HK$10,000 (2018: HK$1,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

### (d) Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### (d) Credit risk *(Continued)*

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding looking information.

| | Within 60 days | 61– 90 days | 91– 180 days | 181– 365 days | Total |
|---|---|---|---|---|---|
| As at 1 May 2018 | | | | | |
| Expected credit loss ("ECL") rate | 0.13% | 15.68% | 16.01% | 1.60% | 2.65% |
| Gross carrying amount (HK$'000) | 33,941 | 2,736 | 3,841 | 1,309 | 41,827 |
| Lifetime ECL (HK$'000) | (43) | (429) | (615) | (21) | (1,108) |
| | 33,898 | 2,307 | 3,226 | 1,288 | 40,719 |

| | Within 60 days | 61– 90 days | 91– 180 days | Total |
|---|---|---|---|---|
| **As at 30 April 2019** | | | | |
| Expected credit loss ("ECL") rate | 1.85% | 4.01% | 0.44% | 1.73% |
| Gross carrying amount (HK$'000) | 55,822 | 699 | 6,369 | 62,890 |
| Lifetime ECL (HK$'000) | (1,033) | (28) | (28) | (1,089) |
| | 54,789 | 671 | 6,341 | 61,801 |

The Group has a concentration of credit risk in certain individual customers. As at 30 April 2018, the five largest receivable balance accounted for approximately 74% (2018: 68%) of trade receivable and the largest trade receivable was approximately HK$12,669,000 (2018: HK$17,437,000) and was approximately 20% (2017: 42%) of the Group's total trade receivables. The Group seeks to minimize its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 30 April 2018 and 2019, the Group has no significant concentration of credit risk in relation to deposits with bank.

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### (e) Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

| | As at 30 April 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate % | On demand or within one year HK$'000 | More than one year but less than two years HK$'000 | More than two years but less than five years HK$'000 | Total undiscounted cash flow HK$'000 | Carrying amount HK$'000 |
| Non-derivative financial liabilities | | | | | | |
| Trade payables | – | 13,736 | – | – | 13,736 | 13,736 |
| Accruals, other payables | – | 2,858 | – | – | 2,858 | 2,858 |
| Contract liabilities | – | 472 | – | – | 472 | 472 |
| Obligation under finance lease | 4.6 | 670 | – | – | 670 | 660 |
| Bank borrowings | | | | | | |
| — fixed-rate | 2.9 | 5,146 | – | – | 5,146 | 5,000 |
| — variable-rate | 4.6 | 2,094 | – | – | 2,094 | 2,002 |
| | | 24,976 | – | – | 24,976 | 24,728 |

| | As at 30 April 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate % | On demand or within one year HK$'000 | More than one year but less than two years HK$'000 | More than two years but less than five years HK$'000 | Total undiscounted cash flow HK$'000 | Carrying amount HK$'000 |
| Non-derivative financial liabilities | | | | | | |
| Trade payables | – | 10,834 | – | – | 10,834 | 10,834 |
| Accruals, other payables and receipts in advance | – | 9,269 | – | – | 9,269 | 9,269 |
| Obligation under finance lease | 4.6 | 1,007 | 670 | – | 1,677 | 1,613 |
| Bank borrowings | | | | | | |
| — variable-rate | 2.00–4.00 | 1,843 | – | – | 1,843 | 1,773 |
| | | 22,953 | 670 | – | 23,623 | 23,489 |

*For the year ended 30 April 2019*

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### (e) Liquidity risk *(Continued)*

*Note:* Bank borrowings with a repayment on demand clause are included in the 'on demand or within one year' time band in the above maturity analysis. As at 30 April 2019, the aggregate principal amounts of these bank borrowing amounted to HK$7,002,000 (2018: HK$1,773,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

| | Weighted average interest rate | On demand or within one year | More than one year but less than two years | More than two years but less than five years | Total undiscounted cash flow | Carrying amount |
|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Bank Borrowings | | | | | | |
| At 30 April 2019 | | | | | | |
| — fixed-rate | 2.9 | 5,146 | – | – | 5,146 | 5,000 |
| — variable-rate | 4.6 | 2,094 | – | – | 2,094 | 2,002 |
| | | 7,240 | – | – | 7,240 | 7,002 |
| At 30 April 2018 | | | | | | |
| — variable-rate | 2.00-4.00 | 7,240 | – | – | 1,843 | 1,773 |

### (f) Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### (f) Fair value measurements *(Continued)*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

| Financial asset | Fair value at 30 April 2019 HK$'000 | Fair value at 30 April 2018 HK$'000 | Fair value hierarchy | Valuation technique and key input(s) | Significant unobservable inputs | Sensitivity |
|---|---|---|---|---|---|---|
| Investment in a life contact | 2,738 | 2,365 | Level 3 | Probability-weighted discounted cash flow method<br><br>Key inputs include the account value, policy charge, crediting rate of insurance policy and discount rate | 30 April 2019<br>Crediting rate: 3.65%<br>Discount rate: 2.31%–3.58%<br><br>30 April 2018<br>Crediting rate: 3.65%<br>Discount rate: 2.17%–3.59% | A significant increase in discount rate used would result in a significant decrease in fair value, and vice versa.<br><br>30 April 2019<br>Discount rate +10%: Fair value = HK$2,401,000<br>Discount rate – 10%; Fair value = HK$3,122,000<br><br>30 April 2018<br>Discount rate + 10%: Fair value = HK$2,051,000<br>Discount rate – 10%; Fair value = HK$2,723,000 |

There were no transfer between Level 1 and Level 2 during the reporting period.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The above table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's combined statements of financial position approximate of their fair values.

*For the year ended 30 April 2019*

## 37. STATEMENTS OF FINANCIAL POSITION AND CHANGE THE EQUITY OF THE COMPANY

### (a) Statement of Financial Position

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Amounts due from subsidiaries *(Note)* | | 24,041 | 24,630 |
| Cash and cash equivalents | | 20 | 17 |
| | | 24,061 | 24,647 |
| **Current liabilities** | | | |
| Accruals | | 1,170 | 1,285 |
| | | 1,170 | 1,285 |
| **Net current liabilities** | | 22,891 | 23,362 |
| **Net liabilities** | | 22,891 | 23,362 |
| **Equity** | | | |
| Share capital | *29* | 5,000 | 5,000 |
| Reserves | | 17,891 | 18,362 |
| **Total equity** | | 22,891 | 23,362 |

*Note:* The amounts due from subsidiaries are non-trade nature, unsecured, interest free and repayable on demand.

The financial statements were approved and authorized for issue by the Board of Directors on 11 July 2019 and are signed on its behalf by:

**Shiu Kwok Leung**
*Director*

**Yuen Lai Him**
*Director*

*For the year ended 30 April 2019*

## 37. STATEMENTS OF FINANCIAL POSITION AND CHANGE THE EQUITY OF THE COMPANY *(Continued)*

### (b) Reserves of the Company

| | Share premium | Accumulated losses | Total |
|---|---|---|---|
| At May 2017 | – | (11,281) | (11,281) |
| Loss and total comprehensive loss for the year | – | (12,258) | (12,258) |
| Issue of shares under the capitalisation | (3,000) | – | (3,000) |
| Issue of shares under the public offer | 58,000 | – | 58,000 |
| Transaction costs attributable to issues of shares | (13,099) | – | (13,099) |
| At 30 April 2018 and 1 May 2018 | 41,901 | (23,539) | 18,362 |
| Loss and total comprehensive loss for the year | – | (471) | (471) |
| At 30 April 2019 | 41,901 | (24,010) | 17,891 |

*Note:*

(i) At 30 April 2019, the Company had distribution reserve HK$17,891,000 (2018: 18,362,000) available for distribution to the shareholders.

## 38. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group activity and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, debt is defined as bank borrowings and obligations under finance leases. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 30 April 2018 and 2019.

The Group's debt to equity ratio at the reporting period was as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Debt *(note 1)* | 7,662 | 3,386 |
| Less: Cash and cash equivalents | (16,266) | (33,953) |
| Net debts | N/A | N/A |
| Total equity | 123,354 | 105,395 |
| Net debt to equity ratio | N/A | N/A |

*Note:*

(1) Debt comprises bank borrowings and obligations under finance leases as detailed in note 26 and 27 respectively.

*For the year ended 30 April 2019*

## 39. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 May 2018. Under the transition methods, comparative information is not restated. Further details of the change in accounting policies are disclosed in note 2 of the consolidated financial statements.

## 40. APPROVAL FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the board of directors on 11 July 2019.

# FINANCIAL SUMMARY

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

| | Year ended 30 April | | | | |
|---|---|---|---|---|---|
| RESULTS | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 | 2018<br>HK$'000 | **2019**<br>**HK$'000** |
| Revenue | 138,636 | 120,988 | 141,667 | 151,228 | **162,035** |
| Profit before taxation | 12,366 | 15,034 | 21,222 | 11,824 | **29,379** |
| Taxation | (3,753) | (3,065) | (5,161) | (4,375) | **(5,961)** |
| Profit for the year | 8,613 | 11,969 | 16,061 | 7,449 | **23,418** |

| | As at 30 April | | | | |
|---|---|---|---|---|---|
| ASSETS AND LIABILITIES | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 | 2018<br>HK$'000 | **2019**<br>**HK$'000** |
| Current assets | 78,757 | 53,770 | 80,027 | 107,864 | **125,179** |
| Non-current assets | 24,898 | 26,549 | 23,248 | 27,661 | **29,633** |
| Total assets | 103,655 | 80,319 | 103,275 | 135,525 | **154,812** |
| Current liabilities | 72,141 | 47,452 | 56,093 | 29,470 | **31,458** |
| Non-current liabilities | 3,478 | 2,564 | 1,622 | 660 | **–** |
| Total liabilities | 75,619 | 50,016 | 57,715 | 30,130 | **31,458** |
| Net assets | 28,036 | 30,303 | 45,560 | 105,395 | **123,354** |

*Notes:*

The summary of the consolidated results of the Group for each of the three years ended 30 April 2015, 2016 and 2017 and of the assets and liabilities as at 30 April 2015, 2016 and 2017 have been extracted from the Prospectus.

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