

IMS GROUP  
HOLDINGS LIMITED  
英馬斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8136



**IMS  
GROUP**

**ANNUAL  
REPORT**  
2019/20

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# CONTENTS

Corporate Information	3-4
Chairman's Statement	5
Biographical details of Directors and Senior Management	6-7
Management Discussion and Analysis	8-16
Environmental, Social and Governance Report	17-37
Corporate Governance Report	38-47
Report of the Directors	48-59
Independent Auditor's Report	60-64
Consolidated Statement of Profit or Loss and Other Comprehensive Income	65
Consolidated Statement of Financial Position	66
Consolidated Statement of Changes in Equity	67
Consolidated Statement of Cash Flows	68
Notes to the Consolidated Financial Statements	69-123
Financial Summary	124

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew  
*(Chairman and Chief Executive Officer)*  
Mr. Yeung Wun Tang Andy  
*(resigned on 29 January 2020)*  
Mr. Lo King Shun  
*(appointed on 29 January 2020)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### COMPANY SECRETARY

Mr. Lee Pui Chung

### COMPLIANCE OFFICER

Mr. Tam Yat Ming Andrew

### AUTHORISED REPRESENTATIVES

Mr. Tam Yat Ming Andrew  
Mr. Yeung Wun Tang Andy  
*(resigned on 29 January 2020)*  
Mr. Lee Pui Chung  
*(appointed on 29 January 2020)*

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### AUDITOR

Mazars CPA Limited  
42nd Floor,  
Central Plaza,  
18 Harbour Road, Wan Chai,  
Hong Kong

### COMPLIANCE ADVISER

Kingsway Capital Limited  
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89 Queensway,  
Hong Kong

### LEGAL ADVISERS

*As to Hong Kong law:*  
LC Lawyers LLP  
Suite 3106, 31/F,  
One Taikoo Place,  
979 King's Road, Quarry Bay,  
Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
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Taikoo Place,  
981 King's Road,  
Island East, Hong Kong

Standard Chartered Bank (Hong Kong) Limited  
26/F, Standard Chartered Tower,  
388 Kwun Tong Road,  
Kwun Tong, Kowloon,  
Hong Kong

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Block C, Seaview Estate,  
8 Watson Road, North Point,  
Hong Kong

## CORPORATE INFORMATION

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square,  
Hutchins Drive, P.O.Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
2103B, 21/F, 148 Electric Road,  
North Point,  
Hong Kong

### STOCK CODE

8136

### COMPANY'S WEBSITE

[www.ims512.com](http://www.ims512.com)

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), I am pleased to present the annual report of IMS Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020.

This year was a challenging year to our Group that facing the difficult business environment which affected by the US trade war and the outbreak of coronavirus disease 2019 (“**COVID-19**”). The outbreak of the COVID-19 at the end of 2019 has severely affected the overall economic activities globally and especially in the People's Republic of China (the “**PRC**”). The impact faced by our Group includes production and transportation restrictions and suspension of production of our suppliers in the first quarter of 2020 in compliance with the COVID-19 prevention and control measures announced by the PRC government. In response, the Group has regularly carried out assessments of the overall impact of the pandemic on its operations and has taken all possible contingency measures to contain such impact. The management anticipates there will be impacts on the business in the second and third quarters of 2020. Detailed analysis in respect of the performance of the Group for the year is covered in the section headed “Management Discussion and Analysis” of this annual report.

During the year, due to the COVID-19, we recorded a decrease in revenue of approximately 18.2% for the year ended 31 March 2020 compared to the revenue for the year ended 31 March 2019.

Our Group has established the new factory in Zhongshan and it commenced operation in April 2020. With the set up of the factory, we aim to reduce the costs and improve the quality of our light-emitting diode (“**LED**”) lighting fixtures. We expect that the Group will be more competitive with our own factory compared to our competitors.

### APPRECIATION

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

**Tam Yat Ming Andrew**  
*Chairman and Chief Executive Officer*

Hong Kong, 19 June 2020

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Tam Yat Ming Andrew (“Mr. Tam”)** (談一鳴), aged 54, was appointed as a Director of our Company on 15 February 2017 and redesignated as our executive Director on the same day. Mr. Tam is the chairman of the Board (the “Chairman”), chief executive officer (the “CEO”) and a member of the Remuneration Committee of our Group. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. He has been serving as a director in our Group since April 1998 and was responsible for managing the day-to-day business operations and business development. Mr. Tam has over 14 years of experience in the light-emitting diode lighting solutions industry and over 20 years of experience in the visual-audio business. Mr. Tam obtained a bachelor’s degree in science from the University of Guelph, Canada, in February 1991.

**Mr. Lo King Shun (“Mr. Lo”)** (盧景純), aged 57, was appointed as an executive Director of our Company on 29 January 2020. Before Mr. Lo’s appointment as an executive Director, he is the senior manager of engineering and quality assurance of our Group. He joined our Group in February 2004 and is primarily responsible for engineering and quality assurance of lighting and audio visual products for projects of the Group. In May 2011, Mr. Lo has been promoted as senior manager of the Technical Department of MIS Technology Project Limited, responsible for overseeing the quality control of products and services provided by the Group. In February 2015, Mr. Lo was further employed as the senior manager of Bluelite Illumination Limited. Mr. Lo has over 12 years of experience in project management.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chu Yin Kam (“Mr. Chu”)** (朱賢淦), aged 66, was appointed as an independent non-executive Director of our Company on 22 December 2017. Mr. Chu is the chairman of the Audit Committee and a member of the Nomination Committee. He is responsible for supervising and providing independent judgment to our Board, which includes views on financial matters. He is experienced in financial management, corporate finance and investment monitoring. Mr. Chu was the senior financial controller of the Swire Group’s Trading Division companies in Taiwan and Korea. He was the director of ARC Capital Partners Limited and the chief financial officer of Wisdom Sports Group (Stock code: 1661). Mr. Chu obtained a Bachelor of Commerce degree from the University of New South Wales. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants of England and Wales. He is also a Fellow of the Taxation Institute of Hong Kong.

**Mr. Ha Yiu Wing (“Mr. Ha”)** (夏耀榮), aged 57, was appointed as an independent non-executive Director of our Company on 22 December 2017. Mr. Ha is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He is responsible for supervising and providing independent judgement to our Board. Mr. Ha has over 27 years of experience in the lighting industry. He has held various management positions in the lighting division of Philips Lumileds and Philips Electronics Hong Kong Limited. Mr. Ha obtained a bachelor’s degree in business administration from The Chinese University of Hong Kong in May 1986. He has obtained certificates for completing courses on ISO 9001 and auditing of quality management systems issued by McCrae Consultants Limited in September 1998, ISO 14001 in respect of environmental management system issued by the Hong Kong Productivity Council in July 1999, ISO 9000:2000 in respect of quality system documentation issued by the Hong Kong Productivity Council in March 2002 and ISO 9001:2000 in respect of internal auditor training issued by TQC Development Centre Limited in March 2002.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Wilson Lee (“Dr. Lee”)** (李惠信), aged 53, was appointed as an independent non-executive Director of our Company on 22 December 2017. Dr. Lee is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He is responsible for supervising and providing independent judgement to our Board. Since December 2007, he has been a specialist in orthodontics at Central Orthodontics Limited in Hong Kong, responsible for the overall management of such specialist practice and providing professional orthodontics services. Dr. Lee has been appointed as an executive committee member of The Hong Kong Anti-cancer Society since November 2014. Dr. Lee obtained a master of business administration degree from Rochester Institute of Technology in New York, U.S. in May 1993. He also obtained a bachelor’s degree in science from the University of Toronto, Canada in November 1991 and a bachelor’s degree in dental surgery from The University of Hong Kong in November 2001. He furthered his studies at The University of Hong Kong and obtained a master degree and advanced diploma in orthodontics in November 2007 and September 2009, respectively. Dr. Lee has been a registered dentist in Hong Kong since July 2001 and a specialist in orthodontics with the College of Dental Surgeons in Hong Kong since November 2010.

### SENIOR MANAGEMENT

**Mr. Lee Pui Chung (“Mr. Lee”)** (李沛聰), aged 33, is the financial controller of the Group and company secretary of the Company. He joined our Group in March 2019 and he had been appointed as the financial controller and company secretary of the Company with effect from 22 March 2019. Mr. Lee is primarily responsible for the financial matters of our Group. Mr. Lee has over 11 years of experience in accounting, finance and auditing. Prior to joining our Group, he worked in Zioncom Holdings Limited (Stock code: 8287) and served as the financial controller and company secretary. Mr. Lee is currently an independent non-executive director of KNK Holdings Limited (Stock code: 8039) since July 2019. Mr. Lee is a Fellow of the Hong Kong Institute of Certified Public Accountants and a full member of CPA Australia. Mr. Lee obtained a bachelor of business administration degree in accountancy from City University of Hong Kong in November 2008.

**Ms. Fok Yee Man (“Ms. Fok”)** (霍以雯), aged 48, is the general manager of the Group. She has been serving in our Group since April 1998 and was appointed as general manager on 1 January 2019. She is responsible for the overall management, cost controlling, overseeing the day-to-day operation of the Group’s business and executing corporate strategies. Ms. Fok has more than 23 years of experience in administrative & operation management and accounting work. Prior to joining our Group, she worked in South China House of Technology Consultants Ltd. from January 1996 to March 1998 and served as the project administrative executive. Ms. Fok obtained a bachelor’s degree in hospitality management from The Hong Kong Polytechnic University in November 1995.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

For the year ended 31 March 2020, the Group recorded revenue of approximately HK\$61.4 million and profit attributable to the owners of parent of approximately HK\$5.0 million, as compared to revenue of approximately HK\$75.1 million and profit attributable to owners of the Company of approximately HK\$6.6 million for the year ended 31 March 2019. The Group considers the decrease in revenue was mainly caused by a decrease in revenue from sales of LED lighting fixtures. As for the decrease in profit attributable to owners of the Company, it was mainly due to the decrease in gross profit for the year ended 31 March 2020.

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

Revenue sources	For the year ended 31 March			
	2020		2019	
	HK\$'million	%	HK\$'million	%
Sales of LED lighting fixtures	52.4	85.3	69.0	91.9
Integrated LED lighting solution services	3.6	5.9	3.4	4.5
LED lighting system consultation and maintenance services	5.3	8.6	2.6	3.5
Sales of visual-audio systems	0.1	0.2	0.1	0.1
	<b>61.4</b>	<b>100.0</b>	75.1	100.0

### Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures has decreased from approximately HK\$69.0 million for the year ended 31 March 2019 to approximately HK\$52.4 million for the year ended 31 March 2020, representing a decrease of approximately 24.1% in this segment. The decrease was mainly due to the clients' suspension of projects in response to the COVID-19 situation in the first quarter of 2020.

### Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services has remained relatively stable, which slightly increased from approximately HK\$3.4 million for the year ended 31 March 2019 to approximately HK\$3.6 million for the year ended 31 March 2020, representing an increase of approximately 5.9%.

### LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service has increased from approximately HK\$2.6 million for the year ended 31 March 2019 to approximately HK\$5.3 million for the year ended 31 March 2020, representing an increase of approximately 103.8%. The increase was mainly due to the increase of maintenance services required from the customers in the PRC during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Sales of visual-audio systems

Our sales of visual-audio systems has remained at approximately HK\$0.1 million for the year ended 31 March 2020 (2019: approximately HK\$0.1 million).

## FINANCIAL REVIEW

### Revenue

Our revenue decreased from approximately HK\$75.1 million for the year ended 31 March 2019 by approximately HK\$13.7 million or 18.2%, to approximately HK\$61.4 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in revenue from sales of LED lighting fixtures.

### Cost of Sales

Our cost of sales decreased from approximately HK\$37.0 million for the year ended 31 March 2019 by approximately HK\$8.3 million or 22.4%, to approximately HK\$28.7 million for the year ended 31 March 2020. The decrease was in line with the decrease in revenue.

### Gross Profit

With the impact of the above factors, gross profit decreased from approximately HK\$38.1 million for the year ended 31 March 2019 by approximately HK\$5.4 million or 14.2%, to approximately HK\$32.7 million for the year ended 31 March 2020. However, the gross profit margin slightly increased from approximately 50.8% for the year ended 31 March 2019 by approximately 2.4%, to approximately 53.2% for the year ended 31 March 2020.

### Other Income and Other Gains and Losses

Our other income and other gains and losses increased from approximately HK\$115,000 for the year ended 31 March 2019 by approximately HK\$457,000 or 397.4% to HK\$572,000 for the year ended 31 March 2020. The increase was mainly due to the increase in bank interest income from fixed time deposits of approximately HK\$410,000 generated during the year ended 31 March 2020.

### Administrative Expenses

Administrative expenses increased from approximately HK\$24.3 million for the year ended 31 March 2019 by approximately HK\$1.3 million or 5.3%, to approximately HK\$25.6 million for the year ended 31 March 2020. The increase in administrative expenses was mainly due to the increase in salaries and allowances (included directors' remuneration) of approximately HK\$0.1 million, increase in office expenses of approximately HK\$0.2 million and increase in legal and professional fees for compliance purpose of approximately HK\$0.3 million for the year ended 31 March 2020.

### Loss Allowance on Trade Receivables

The reversal of loss allowance of approximately HK\$0.6 million (2019: provision of loss allowance of approximately HK\$1.2 million) was recognised for the year ended 31 March 2020. Details are set out in note 18 to the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Costs

Finance costs represented the interest of lease liabilities in relation to office premises and staff accommodation of approximately HK\$0.2 million for the year ended 31 March 2020 (2019: nil).

### Income Tax Expense

Profit before income tax expenses has decreased from approximately HK\$12.7 million for the year ended 31 March 2019 by approximately HK\$4.7 million or 37.0%, to approximately HK\$8.0 million for the year ended 31 March 2020 due to the decrease in gross profit for the year ended 31 March 2020. The income tax expenses decreased from approximately HK\$6.1 million for the year ended 31 March 2019 by approximately HK\$3.1 million or 50.8%, to approximately HK\$3.0 million for the year ended 31 March 2020. It is because the Group has better income tax planning between the PRC subsidiaries and Hong Kong subsidiaries and certain Hong Kong subsidiaries had tax losses brought forward to offset the current year assessable profits.

### Profit for the year

The Group recorded a profit of approximately HK\$5.0 million attributable to owners of the Company for the year ended 31 March 2020 compared to the profit of approximately HK\$6.6 million attributable to owners of the Company for the year ended 31 March 2019. The decrease in profit is mainly due to the decrease in gross profit.

### DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

### LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from operating activities. As at 31 March 2020, we did not have any bank borrowings.

### Liquidity ratios

	<b>For the year ended 31 March 2020</b>	For the year ended 31 March 2019
Current ratio	<b>5.6</b>	5.1
Quick ratio	<b>5.6</b>	5.1

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cash and bank balances

As at 31 March 2020, the currency denomination of the Group's cash and bank balances and fixed time deposits are as follow:

Currency denomination	2020 HK\$ million	2019 HK\$ million
Denominated in:		
HKD	30.7	37.0
RMB	32.6	22.2
EUR	– <sup>(1)</sup>	–
	63.3	59.2

(1) Represents amount less than HK\$1,000.

### Net current assets

As at 31 March 2020, the Group had net current assets of approximately HK\$57.4 million (2019: approximately HK\$63.3 million).

### Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to owners of the Company amounted to approximately HK\$66.8 million (2019: approximately HK\$63.7 million).

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 March 2020 and up to the date of this annual report.

## TREASURY POLICY

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

## FOREIGN EXCHANGE EXPOSURE

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### PLEDGE OF ASSETS

As at 31 March 2020, the Group had not pledged of any of its assets (2019: nil).

### CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any contingent liabilities (2019: nil).

### CAPITAL EXPENDITURE

During the year, the Group acquired items of property, plant and equipment of approximately HK\$8,602,000 (2019: approximately HK\$85,000) and intangible assets of approximately HK\$420,000 (2019: approximately HK\$271,000).

### CAPITAL COMMITMENT

As at 31 March 2020, the Group had capital commitment of approximately HK\$1.0 million (2019: nil).

### EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, including our executive Directors, the Group had a total of 42 (as at 31 March 2019: 37) employees, of which 36 employees were in Hong Kong and 6 employees were in the PRC.

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

- (1) a defined scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for those employees in Hong Kong who are eligible to participate; and
- (2) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for those employees in the PRC.

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

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

The Group did not have any significant investments as at 31 March 2020 (2019: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the year ended 31 March 2020 (2019: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Up to 31 March 2020, we utilised the net proceeds raised from the initial public offering in accordance with the designated uses set out in the prospectus issued by the Company on 11 January 2018 (the “Prospectus”) as follows:

Description	Amount designated in the Prospectus HK\$'million	Amount utilised up to 31 March 2020 HK\$'million	% utilised
<b>Setting up a factory</b>			
– Rental of factory and staff quarters	2.0	0.3	15.0%
– Operating expense including staff costs	3.9	0.9	23.1%
– Purchasing computer numeric control (“CNC”) machines, three dimensional printer (“3D Printer”) and testing equipment	3.7	3.4	91.9%
– Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	100.0%
<b>Subtotal</b>	10.6	5.6	52.8%
<b>Recruiting high calibre staff</b>	4.3	1.5	34.9%
<b>Pursuing suitable acquisitions</b>	13.0	–	0.0%
<b>Enhancing our enterprise resource planning (“ERP”) system</b>	3.7	1.4	37.8%
<b>Expanding and upgrading the infrastructure of our workshop and office</b>	1.9	1.9	100.0%
<b>Working capital and general corporate purpose</b>	1.2	1.2	100.0%
<b>Grand total</b>	34.7	11.6	33.4%

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the designated and actual implementation plan up to 31 March 2020:

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Setting up a factory	– Renovating the factory	– The renovation of the rented premises in Zhongshan is completed
	– Purchasing machinery and equipment, including CNC machines, a 3D Printer and testing equipment to meet our production requirements and quality standards	– 3D Printer is in use to facilitate the product development process – Deposits was paid and pending for the delivery of CNC machines
	– Recruiting new staff with relevant experience starting late-May 2018 to take up the positions of factory manager, machinery operators and technical and other administrative staff	– Recruitment process is completed and the relevant position are recruited
	– Preparing for and commencing operations of the factory in June 2018	– The factory commence operations in April 2020
Recruiting high calibre staff	– Continuously reviewing the performance of our staff in relation to our business performance	– Continuously reviewing the performance of our staff in relation to our business performance
	– Monitoring the research and development deliverables of staff	– Monitoring the research and development deliverables of staff
	– Seeking suitable candidates for the position of lighting designer, marketing manager and sales coordinator	– Recruited a lighting designer to strengthen our products and a marketing manager to promote our company – Seeking suitable candidates for the position of sales coordinator by advertisement
	– Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong	– Recruited a business development manager to seek for new business opportunities

## MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Pursuing suitable acquisitions	– Identifying potential acquisition target(s)	– The CEO had preliminary discussion with some potential acquisition targets and will continue to identify suitable acquisition target(s)
Enhancing our ERP systems	– Continue testing and modifying the ERP system in both Hong Kong and the PRC	– Continue testing and modifying the ERP system in both Hong Kong and the PRC
Expanding and upgrading our workshop and office	– Managing the operational efficiency of our workshop and office	– Completed the expansion and upgrade of our workshop and office
	– Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business	– Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business

The net proceeds from the Listing, after deducting the related expenses, were approximately HK\$34.7 million. The Group has utilised approximately HK\$11.6 million of the proceeds from the listing on 25 January 2018 (“**Listing Date**”) to 31 March 2020.

During the year, the Company has applied the net proceeds in accordance with the implementation plan as disclosed in the Prospectus. However, the actual use of proceeds was lower than the planned use of proceeds as of 31 March 2020 primarily due to following reasons:

### Setting up a factory

Since the setting up of the factory was delayed from June 2018 to April 2020, there was a delay in recognizing relevant operating expenses including rental and staff costs. Based on the Directors’ estimation, the planned proceeds in relation to setting up a factory will be fully utilised by 31 March 2022.

### Recruiting high calibre staff

The proceeds used for recruiting high calibre staff were less than planned as at 31 March 2020 because (i) the Group is still seeking suitable candidates to fill the position of a sales coordinator; and (ii) the Group has taken a longer time than expected to recruit these high calibre staff as more time is required to seek suitable candidates and thus delayed the staff costs incurred. Based on the Directors’ estimation, the planned proceeds in relation to recruiting high calibre staff will be fully utilised by 31 March 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Pursuing suitable acquisition and enhancing the ERP system

Due to the adverse impact of the COVID-19 on the global economy, the Group will adopt a more cautious approach in pursuing suitable acquisitions and in further enhancing the ERP system. However, the Group will continue to pursue its plan to spend the remaining proceeds in accordance with the implementation plan disclosed in the Prospectus and will continue to identify suitable acquisition targets that are financially sound, and also look for suitable improvements to the ERP system, with an aim to achieve a sustainable business growth, for the long term benefit and development of the Group.

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

### EVENTS AFTER REPORTING PERIOD

Save as disclosed in note 29 to the consolidated financial statements, the Group does not have any significant events after the reporting period and up to the date of this annual report.

### The assessment of the impact of the Coronavirus Disease 2019 (“COVID-19”)

After the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.

Given the dynamic nature of the COVID-19 outbreak, it is not practicable at this stage to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these consolidated financial statements are authorised for issue.

### FUTURE DEVELOPMENT AND OUTLOOK

Our goal is to be one of the leading LED lighting solutions providers in Asia. The shares of the Company were successfully listed on GEM of the Stock Exchange of Hong Kong Limited on 25 January 2018. The net proceeds from the share offer enables us to have sufficient financial resources to broaden our customer bases and achieve cost savings through setup of our own factory.

In addition, Asia (especially the PRC) is still the rising engine of the global economy. We expect there will be rising domestic demand from luxury renowned brands. However, the outbreak of the COVID-19 at the end of 2019 has severely affected the overall economic activities globally and especially in the PRC. The impact faced by our Group includes production and transportation restrictions and suspension of production of our suppliers in the first quarter of 2020 in compliance with the COVID-19 prevention and control measures announced by the PRC government. In response, the Group has regularly carried out assessments of the overall impact of the pandemic on its operations and has taken all possible contingency measures to contain such impact. The management anticipates there will be impacts on the business in the second and third quarters of 2020.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This is the third Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”) published by IMS Group Holdings Limited (“**IMS Group**” or the “**Company**”, together with its subsidiaries, the “**Group**”), outlining the sustainability policies, measures and performance of the Group. This report is available in Chinese and English and can be viewed and downloaded from the websites of the Company ([www.imsgrupp Holdings.com](http://www.imsgrupp Holdings.com)) and the Stock Exchange of Hong Kong Limited (“**SEHK**”).

## Reporting Scope

Aligning with the scope of the previous report, this ESG Report focuses on the Group’s 1) sales of LED lighting fixtures, 2) provision of integrated LED lighting solution services, 3) provision of LED lighting system consultation and maintenance services and 4) sales of visual-audio system in Hong Kong between 1 April 2019 and 31 March 2020 (“**the reporting year**”) operated by the main office in Hong Kong.

In order to provide comparison of the Group’s yearly sustainability performance and progress, the reporting methodologies are aligned throughout the three consecutive ESG reports. While the core operations of the Group are covered in this ESG Report, some operations of the Group in other geographical regions, including the People’s Republic of China (the “**PRC**”), Asia (excluding Hong Kong and the PRC) and Europe, are not included in the reporting scope. It is on the Group’s agenda to review the reporting scope based on the reporting principle of materiality and refine the data collection system in paving the way for the provision of more comprehensive information and a wider reporting scope covering the entire operations.

## Reporting Principles

This ESG Report is prepared in accordance with the “comply or explain” provisions of Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) contained in Appendix 20 of the Rules Governing the Listing of Securities on GEM of the SEHK. To make sure that the environmental key performance indicators (“**KPIs**”) are accurate, the Group has appointed professional consultancy to conduct a carbon assessment based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong. Selected KPIs that are categorised by the ESG Reporting Guide as “recommended disclosures” are also included in this ESG Report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In preparation for this ESG Report, the Group adheres to the four fundamental reporting principles set out in the ESG Guide:

Reporting principles	The Group's application
<b>Materiality</b>	Material environmental and social issues were identified through survey with members of the IMS Group's Board of Directors (the " <b>Board</b> "). Relevant contents have been prioritised and disclosed in this ESG Report.
<b>Quantitative</b>	The Group records and discloses key performance indicators in quantitative terms as appropriate for evaluation and validation.
<b>Balance</b>	The ESG Report discloses information in an objective manner, providing stakeholders with an unbiased picture of the Group's overall ESG performance.
<b>Consistency</b>	As far as practicable and unless stated otherwise, the Group employs consistent measurement methodology to allow for meaningful comparison of ESG performance over time. Any changes in methods or KPIs used will be disclosed.

### Confirmation and Approval

All the information cited in this ESG Report was derived from the Group's official documents, statistical data as well as management and operational information collected in accordance with the Group's policies. The Group's internal control and formal review process are in place to ensure that any information presented in this ESG Report is as accurate and reliable as possible. The ESG Report has been reviewed and approved by the Board of Directors (the "**Board**") on 19 June 2020.

### Opinion and Feedback

Stakeholder opinions are instrumental to the continuous improvement of the Group's ESG performance. If you have any questions or suggestions regarding the content or format of the report, please contact the Group by:

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 Email: [info@imgroupholdings.com](mailto:info@imgroupholdings.com)  
 Telephone: +852 3183 4888  
 Fax: +852 2856 9700

## SUSTAINABILITY GOVERNANCE

IMS Group is committed to maintaining good governance to capitalise the opportunities and minimise the risks arising from ESG issues. The Board directs the overall strategy and development of the Group's operations and business and is responsible for monitoring and reviewing of the corporate governance practices across the Group. It is the Board's responsibility in overseeing ESG issues, including identifying material ESG risks and determining the management approach against the same.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is aware that a strong governance framework is the key to ensure that sustainability issues are incorporated into core businesses. It is crucial to set sustainability goals and targets for evaluating sustainability performance in a more systemic approach. Therefore, in the coming year, the Group will establish an ESG working group to carry out ESG-related tasks. The ESG working group's main responsibility include:

- reviewing and reporting to the Board on sustainability frameworks, strategies, goals and targets;
- overseeing Group-level strategies, policies and initiatives on sustainability matters to reach those goals; and
- reviewing and advising the Board on ESG reporting.

### Risk Management

The Group emphasises sound risk management as the core competitiveness and foundation of its business development. It has set up appropriate and effective risk management and internal control system to manage risks, where the Audit Committee and external professional firm conduct regular assessment, which will then be reviewed by the Board. While the Board performs annual review on the effectiveness and adequacy of the systems, the senior management is responsible for the design and implementation of the systems.

Management holds regular meetings to discuss and evaluate the possible ESG risks. Below are the ESG risks identified this reporting year and are discussed by management and reported to the Board.

Risks	Risks Impacts	Response
<b>Health and safety</b>	The health and safety of employees are of paramount importance to the Group and its operations. The deterioration of health and safety can affect the operation of the business which can then lead to poor financial performance of the Group.	Due to the COVID-19, staff are asked to measure their body temperature every workday morning and afternoon. If the body temperature is higher than 38°C, the staff will be asked to consult doctor and take rest at home. The Group also allows flexible working hours in order to avoid having employees commute during busy hours.
<b>Use of resources</b>	The exploitation of unnecessary resources can lead to the increase of cost of operations.	The Group understands the importance of resource conservation. During the reporting year, the Group monitors the use of resources in order to raise employees' awareness on resource saving. For instance, the usage of paper is controlled in order to minimise resource usage. In the future, the Group will set sustainability targets or reduction targets to monitor and reduce the use of resources, and action plan to achieve these targets.
<b>Labour standards</b>	The Group operates in a fair and responsible manner. Child labour and forced labour can adversely affect the Group's reputation.	The Group has put in place an internal guideline for child and forced labour to govern the employment process.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the future, IMS Group will incorporate ESG material issues into its enterprise risk management and assessment as to ensure timely responses and effective policies for ESG issues.

### Compliance Management

Aspect	Relevant laws and regulations	Compliance performance during the Year 2019/20
<b>Emissions</b>	Air Pollution Control Ordinance; Waste Disposal Ordinance	The Group did not identify any non-compliance cases concerning air and greenhouse gas (“GHG”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
<b>Employment</b>	Employment Ordinance; Employees’ Compensation Ordinance;	The Group did not identify any non-compliance cases related to compensation and dismissal, recruitment and promotion, working hours, equal opportunity, diversity, anti-discrimination, and benefits and welfare-related matters.
<b>Health and Safety</b>	Occupational Safety and Health Ordinance	The Group did not identify any non-compliance cases related to providing a safe working environment and protecting employees from occupational hazards.
<b>Labour Standards</b>	Employment Ordinance	The Group did not identify any non-compliance cases regarding child and forced labour.
<b>Product Responsibility</b>	Personal Data (Privacy) Ordinance	The Group did not identify any non-compliance cases concerning health and safety, advertising, labelling and privacy matters.
<b>Anti-corruption</b>	Prevention of Bribery Ordinance	The Group did not identify any cases of non-compliance, nor was there any reported cases, litigations or concluded legal case regarding corruption practices brought against the Group or its employees concerning bribery, extortion, fraud and money laundering.

### STAKEHOLDER ENGAGEMENT

IMS Group takes on the responsibility for incorporating sustainable practices into its daily operations to create values for its stakeholders. Stakeholder engagement provides the Group with the views of its stakeholders in what issues are relevant to them. Therefore, understanding and meeting the needs of the stakeholders allow the Group to respond proactively to opportunities and challenges, and to build long-term trust. This contributes to the positive development of the community as well as supports the sustainable growth of the business.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group recognises the benefits of continuous communication with stakeholders regarding their concerns for sustainability. Stakeholders are internal and external individuals, groups and organisations who have a considerable influence on the Group’s business, and whom the business has a significant impact on. Stakeholder engagement is essential for the Group to examine potential risks and opportunities, and to identify areas for improvement.

The Group understands that stakeholders’ expectation varies over time. Therefore, we engage stakeholders to update on the issues that are important to them every year. During the reporting year, the Group engaged its key stakeholders through multiple channels to gather their feedback and strived for continuous improvement.

Stakeholders were engaged through the following channels:

Customers	Employees	Community
<ul style="list-style-type: none"> <li>Daily operations and interactions</li> <li>Customer service email</li> </ul>	<ul style="list-style-type: none"> <li>Employee performance appraisal</li> <li>Training and workshops</li> <li>Meetings</li> <li>Staff intranet</li> <li>Volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Volunteer activities</li> <li>Community investments and donations</li> </ul>

Government and Regulators	Shareholders and Investors	Suppliers
<ul style="list-style-type: none"> <li>Ad hoc enquiries</li> <li>Circulars and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Corporate communications</li> <li>Interim and annual reports</li> <li>Results announcements</li> </ul>	<ul style="list-style-type: none"> <li>Supplier management processes</li> <li>Meetings</li> </ul>

Along with feedback received from regular channels, the Group performs materiality assessment annually to identify and prioritise ESG issues which have significant impacts on its business, investors and other stakeholders. Therefore, the Group is keen to identify the material issues that have a great impact on its stakeholders and businesses. Under the assistance of a sustainability consultancy, a board survey was conducted to review the 11 aspects listed in the ESG Reporting Guide and identify material ESG issues related to the business operations. 4 issues prioritised to be the material focus of this ESG Report are set out below:



The Group will continue to improve its stakeholder engagement in order to gauge more detailed feedback from its stakeholders. The Group will explore different means of engagement (such as surveys or focus group) in the future.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATING PRACTICES

The Group endeavours to operate its businesses in a responsible and fair manner. A set of corporate policies governs the Group's objectives and requirements regarding anti-corruption, supply chain management and product responsibility.

### Anti-Corruption

The Group does not tolerate any forms of corruption, including bribery, money laundering, extortion or fraud. It is stipulated clearly in the Employee Handbook that all employees are prohibited from soliciting or accepting any interests, except gifts without notifying its Manager and/or Legal and Compliance Department. Employees are also required to declare any potential conflicts of interest to the Group. Additionally, it is under the Group's Supply Chain Management Policy to prevent fraud and corruption throughout its supply chain, ensuring suppliers and contractors uphold the highest standards of ethics. During the reporting year, a governance body member and senior management received anti-corruption training.

The Group has a Whistleblowing Policy in place where it assures a fair reporting and investigation mechanism for employees to report on any misconduct or malpractice within the Group. As part of the Group's commitments to protecting whistle-blowers from detriment, harassment and reprisal, the identity of whistle-blowers will be kept confidential without their prior consent unless it is a legal obligation to reveal their identities to the authorities.

### Supply Chain Management

The Group is committed to developing long-term relationships with its suppliers. By creating a partnership with its suppliers, the Group can continuously optimise its operation process and quality. The Group has a Supply Chain Management Policy in place, where a set of criteria guides the selection process of suppliers. The supplier selection criteria include the timeliness, quality, product certification, purchase price as well as social and environmental responsibility. Since the Group cares about the ESG performance of its supply chain, suppliers are requested to integrate socially and environmentally responsible practices into their business operations, including maintaining high safety standards and reducing GHG emissions.

To strengthen the ESG risk management on its procurement process, the Group also has a Green Office Policy in place for the procurement of equipment and supplies. The Group also communicates with suppliers on the Group's environmental protection and energy saving goals and requires its suppliers to reduce packaging material.

In order to ensure the suppliers adhere to the Group's policy, it conducts regular supplier performance review to monitor suppliers' compliance and continuous improvements.

During the reporting year, all suppliers were engaged in the same set of engagement practice to ensure the fairness of the system.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Product Responsibility

IMS Group takes on product responsibility for the benefit of customers. The Group has a Product Responsibility Policy in place with regards to customer satisfaction, health and safety, and data privacy.

#### *Quality and Safety Management*

The Group positions its brand with quality products and services. A rigorous quality assessment is conducted in order to select the finest products. The health and safety items of products, such as the concentrations of the Substances of Very High Concern, are also considered, monitored and reviewed. All products met the security requirements of different countries, such as several certifications from China Compulsory Certification, Korea Certification Mark, Regulatory Compliance Mark, Product Safety Electrical Appliance & Material Mark and the CE Mark.

The Group has a faulty product returns policy and procedure in place. To further guarantee the quality of the product, the Group offers a one-year warranty on products. Within the warranty period, customers are able to return products for free given that they provide valid reasons for return. For products outside the warranty period, free exchange is subject to director's approval. Faulty products will then be sent to Quality Assurance or Research and Development department for further investigation in order to improve its products and minimise such defects in the future.

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

#### *Customer Satisfaction*

Customer satisfaction is one of the key indicators on the Group's performance. The Group places great emphasis on establishing a smooth communication channel with its customers to meet their needs and to build long-term relationships. Customers' opinions are collected through several communication channels, such as email or through sales personnel. Any feedback from customers will be further examined by the customer service staff to refine for better products and services.

During the reporting year, the Group did not receive any products or services related complaints.

#### *Intellectual Property Rights*

IMS Group respects intellectual property rights. The Employee Handbook provides guidelines on the intellectual property protection on the Group's assets, including logos, patents, trademarks, copyrights and etc. Employee shall also ensure that all copyrights documents and materials produced by them will be original and will not infringe the rights of any other third parties.

#### *Data Privacy*

It is stated in the Employee Handbook that employees are responsible to maintain the confidentiality of customer information and sensitive information. It is also stated in the Employee Handbook the rules on the use of the Company's communication and information systems, such as computers, computer system, databases, stored information and data intranet, etc. This prevents the misuse or misappropriation of the system and ensures personal data is managed in a proper and secure manner. At the moment, the Group's business does not involve direct advertising and marketing activities. In the future, if advertising and marketing promotion are required, the Group will formulate an advertising policy to improve the dissemination of accurate and unbiased information to the customers on advertising and labelling materials to enable informed decisions.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### LABOUR PRACTICE

The Group strives to foster a supportive and quality working environment by treating all employees fairly and equally, safeguarding their rights and interests, providing them with opportunities for career development, and creating a healthy and safe workspace. The Employee Handbook has a set of guidelines on labour standards, employment system, health and safety as well as training and development.

#### Labour Standards

The Group strictly upholds best practices in labour and human rights standards. It prohibits the employment of child labour and eliminates all forms of forced and compulsory labour in any of its operations. Policies and guidelines regarding overtime work, allowances and compensation leave are communicated to employees through the Employee Handbook. The Group also respects employees' freedom and rights. Employees will be compensated for overtime work by taking work days off or receiving overtime compensation based on the nature of their work.

As stated in its Internal Guideline for Child and Forced Labour, the Group does not tolerate the employment of person aged under 18, with the exception of cases of special approval obtained from the management who shall ensure compliance with certain laws and requirements<sup>1</sup>. Human Resources Department performs background check on identity documents of applicants before employment to prevent child labour.

#### Employment

The Group strives to ensure a fair, respectful, inclusive and diverse culture. The Group's employment policy is stated in the Employee Handbook covering aspects such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare.

The Group endeavours to provide equal opportunity to all employees and applicants for employment without regard to race, religion, colour, sex, sexual orientation, national origin, age, marital status. All employees should be treated with fairness and equality. Candidates are recruited and promoted based on meritocracy. Any forms of discrimination are strictly prohibited.

To attract and retain talents, a competitive remuneration policy is in place. The Group also offers attractive welfare and benefits including but not limited to annual leave, marriage leave, maternity leave, paternity leave, bereavement leave, medical insurance, travelling allowance and education reimbursement.

The outbreak of the coronavirus, COVID-19, earlier this year has impacted the operations of the Group and more importantly, our employees. The Group is closely monitoring and evaluating the impacts from the pandemic and is taking proactive steps in making adjustments on human resource allocation. For instance, the Group has established flexible working hours in order to support and protect employees during this difficult time.

The Group believes that a harmonious working environment will deliver the best results. In order to encourage employees to share their views, the Group has various feedback channels to solicit employees' opinions on the employment system and working environment. In the future, the Group will revise its employment policy in order to include policy on diversity.

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Health and Safety

The Group is committed to providing a healthy and safe workplace for its employees. Under the Employee Handbook, all safety regulations and emergency measures are listed in order to enhance employees' understanding on safety management in day-to-day operations. The Group also provides medical benefits scheme for all employees after the successful completion of the 3-month probation period.

The Group not only cares about the physical health of our employees but also their mental health and wellbeing. The Group starts to monitor and review the absentee days during this reporting year in order to track performance and mitigate risks over time. During the reporting year, there were no cases of work-related injury or fatality. There were 175 absentee days<sup>2</sup> recorded.

### Training and Development

Employee investment contributes to the long-term success of the Group. The Group is devoted to providing learning and development opportunities for employees to acquire up-to-date knowledge and skills to enhance their competencies in terms of future career growth and development. Employees with six months of service to the Company are eligible to apply for staff education sponsorship for external job-related studies.

The Group understands the importance of performance review to employees' career development. Therefore, a periodic performance evaluation will be conducted for each employee annually, allowing employees to work as effectively as possible to meet the needs of the Company. The performance appraisal also allows employees to track its career performance and assist them in fulfilling their career during the time at the Company.

In order to help employees to hone their skills, training, such as ethics, accounting, quality management, corporate finance, COVID-19 impacts on businesses and leadership, was provided to the senior management level with a total of 20 training hours.

## PROTECTING THE ENVIRONMENT

IMS Group recognises its responsibility to minimise the environmental impacts caused by its operations and products. Through the formulation of the Green Office Policy, the Group strives to implement various environmentally friendly office measures, such as energy management, paper reduction, water conservation, green procurement and emissions reduction, and instils a green culture within the headquarters.

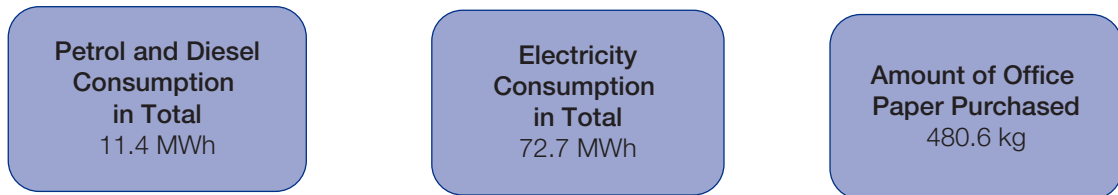
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<sup>2</sup> Absentee days refer to the absent from work because of incapacity of any kind, not just as the result of work-related injury or disease. Excluding permitted leave absences such as holidays, study, maternity or paternity leave, and compassionate leave.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Use of Resources

IMS Group consumes resources in a responsible manner. It uses a wide range of resources including electricity for daily operations, fuel consumption for vehicle use, paper consumption and water consumption.



### Energy

Under the Green Office Policy, several energy-saving and energy efficiency measures are implemented in its headquarters in order to manage its energy use. This includes the instalment of high-performance electrical equipment, instalment of sun control window films to reduce energy consumption by air conditioner, purchase of high energy efficiency products, switching off light and unnecessary energy device and deployment of natural light whenever possible. The Group will continue to monitor and track its energy usage.

For energy use, purchased electricity is the largest type of energy end-use. While comparing with last year, the energy intensity in the reporting year (2.337 MWh/employee) is 18% higher than previous reporting year (1.977 MWh/employee). The increase was due to the installation of a new 3D printer which was required to run over 20 hours per day and the setting of air-conditioning temperature lower than 25°C due to warmer weather.

### Paper

Several paper reduction measures are specified in the Green Office Policy in order to provide guidelines for employees to follow. Recycling bins are placed next to printer in the office to encourage the recycle of paper, poster, letter and envelope. The Group encourages employees to write and print on both sides of the paper, and to bring their own cup to avoid using single-use paper cup.

Paper waste disposal is the largest contributor to the Group's GHG emissions, followed by energy indirect emissions from purchased electricity. To further improve the Group's performance, it shall continuously monitor, assess and report its carbon emission every year. The GHG emission intensity is 16.1 tonnes CO<sub>2</sub>-e per employee, which is 1.0% higher than that of the previous reporting year (15.9 tonnes CO<sub>2</sub>-e/employee).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Water*

The Group's operations do not involve a significant amount of water. Although water is not involved in main operations, the Group emphasised on water conservation. Water conservation guidelines are specified in the Green Office Policy to further conserve water resources. The Group adopts effective water-saving production methods and instruments, including minimising water pressure. Water consumption is also checked regularly to identify any abnormal consumption. Dripping faucet or hose is repaired in a timely manner once reported.

The Group sources water from the municipal supplies through pipelines maintained by the property manager. However, the water consumption record in the Hong Kong headquarters was not available since there was no individual water meter was installed and the property manager and owner of the office premise was unable to provide water consumption data. The Group has no issue in sourcing water for its operations.

In the future, the Group shall continue to work closely with the property manager to obtain the water consumption data and introduce more water saving practices in the office.

### The Environment and Natural Resources

The Group strives to further reduce the environmental impacts associated with its activities and business. As stipulated in its Green Office Policy, it minimises the impact on the environment through emission reduction and resource conservation in its operations. Additionally, environmentally friendly measures are listed in the policy as guidance to employees in enhancing its sustainability performance.

### Emissions

#### *Air Emissions*

The Group encourages employees to use public transport and adopt environmentally friendly travelling practices whenever possible to minimise air emissions. The major source of IMS Group's air pollutants is vehicle use in its Hong Kong's headquarters office, including Nitrogen Oxides ("**NOx**"), Sulphur Oxides ("**SOx**") and Respirable Suspended Particulates ("**RSP**").

Air Emissions		
Air Pollutants	2019/20 Total Emissions (in kg)	2018/19 Total Emissions (in kg)
Nitrogen Oxides	3.58	4.50
Sulphur Oxides	0.02	0.01
Respirable Suspended Particulates	0.32	0.41



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### GHG Emissions

GHG emissions pose a critical challenge to the environment. The Group pledges to combat climate change by reducing its carbon footprint of its operations through emission and resource reduction initiatives.

The Group will continuously monitor its carbon footprint and to control the environmental impacts of its daily operations. As mentioned above, the Green Office Policy sets out guidelines in several energy-saving and energy efficiency measures that are implemented in its headquarters in order to reduce GHG emissions, including the instalment of high-performance electrical equipment and sun control window films, purchase of high energy efficiency products, switching off light and unnecessary energy device, deployment of natural light whenever possible and cleaning the dust filter of air conditioner regularly.

IMS Group has employed a professional consultancy to conduct a carbon assessment to quantify the greenhouse gas emissions (or “carbon emissions”) of its operations. The quantification process is based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong as well as other international standards.

**Total GHG Emissions**  
578.3 tonnes CO<sub>2</sub>-equivalent

**Emissions from Paper Waste Disposal** (% of total)  
80.9%

**Carbon Intensity**  
(by no. of staff)  
16.1 tonnes per employee

GHG Emissions	
Scopes	Emissions (in tonnes CO <sub>2</sub> -e)
Scope 1 – Direct emissions from sources <sup>3</sup>	3.3
Scope 2 – Energy indirect emissions <sup>4</sup>	58.2
Scope 3 – Other indirect emissions <sup>5</sup>	516.8
<b>Total GHG emissions</b>	<b>578.3</b>

<sup>3</sup> Scope 1 include GHG emissions from mobile combustion sources.

<sup>4</sup> Scope 2 include GHG emissions from the consumption of purchased electricity.

<sup>5</sup> Scope 3 emissions include methane gas generation at landfill in Hong Kong due to disposal of paper waste and business travel by employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Waste*

In the reporting year, 0.98 tonnes of non-hazardous wastes including general waste and paper were produced, with an increase of 15.3% compared to previous reporting year. The rise was attributable to the increase in staff washing their hands due to COVID-19, which then led to an increase in the usage of paper towel. All of the non-hazardous waste was collected and disposed of at the landfills. The Group actively promotes waste reduction through disseminating useful tips to employees on material recycling.

On the other hand, as the operations within the reporting scope were office-based, no hazardous waste was generated from IMS Group's operations. If hazardous waste is generated, it shall be handled by qualified service contractors.

In the future, the Group will set sustainability targets or reduction targets to monitor and reduce the use of resources, and action plan to achieve these targets.

### OUR COMMUNITY

Supporting the communities where the Group operates is one of the essential ingredients in order to create a cohesive society. Guided by its Community Investment policy, the Group contributes to the needs of communities through cash contributions, cash-in-kind contributions or volunteering activities. The policy also highlights the monitoring of the chosen charitable programmes to ensure accountability and transparency in order to bring the most to the society.

As a company involving in the LED lighting fixtures and visual-audio system, the Group hopes to contribute to the society where its business relates to, by helping people who are visually impaired. During the reporting year, IMS Group participated in a charity event, MINI60-HK, held in November 2019 by the Automobile Magazine. This eco-challenge event was to aim to drive MINI cars in the most efficient way to reduce the usage of petrol. At the same time, all funds raised in this event were donated to the Hong Kong Seeing Eye Dog Services ("HKSEDS"). In this event, there was an activity where participants can experience how visually impaired people walk with dog through blindfolding their eyes. This allowed participants to feel how people with sight difficulties travel, bringing the society together.

The HKSEDS is a non-profit organisation in Hong Kong, focusing on the breeding and training of Seeing Eye Dog and providing the well-trained Seeing Eye Dog to suitable visually impaired people for free. IMS Group hopes to enhance social caring for vulnerable groups and to nurture the concept of animal protection.

The Group donated HK\$58,000 and had three employees participated as volunteers with a total of 16 volunteering hours.

The Group is formulating a community investment policy in order to establish a common and coherent approach among its operations and facilitate the strategic and efficient deployment of its resources to contribute to the communities in where it operates.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### KEY PERFORMANCE INDICATORS SUMMARY

#### Social Performance

Number of employees <sup>6</sup>	Category	Total	
	<b>By age group</b>		
	Below 30	4	
	30-40	13	
	41-50	15	
	Above 50	4	
	<b>By gender</b>		
	Male	25	
	Female	11	
	<b>By employee category</b>		
	C-level executives	2	
	Senior management	2	
	Middle management	14	
	General employees	18	
<b>Total number of employees</b>		36	
<b>Ratio of male employees to female employees</b>		2.3:1	

New employees	Category	Total	Rate	
	<b>By age group</b>			
	Below 30	3	75%	
	30-40	2	15.4%	
	41-50	0	0	
	Above 50	0	0	
	<b>By gender</b>			
	Male	3	12%	
	Female	2	18.2%	
	Total number of new employees		5	
New employees as a percentage of total number of employees		13.9%		

<sup>6</sup> All employees are full-time and hired in Hong Kong.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Turnover	Category	Total	Rate	
	<b>By age group</b>			
	Below 30	1	25%	
	30-40	0	0	
	41-50	0	0	
	Above 50	2	50%	
	<b>By gender</b>			
	Male	2	8%	
	Female	1	9.1%	
	<b>Total employee turnover</b>		3	
	<b>Employee turnover rate</b>		8.3%	

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

Suppliers	Location of suppliers	Number of suppliers
	Hong Kong	18
	PRC	3
	Australia	2
	Finland	1
	Korea	1
	Taiwan	1
	United States	1
	Malaysia	2
	Singapore	1
	Macau	1



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ENVIRONMENTAL PERFORMANCE

	Environmental KPIs	Quantity		Unit
		2019/20	2018/19	
<b>A1.1</b>	<b>The types of emissions and respective emissions data</b>			
	Nitrogen Oxides (NOx)	3.58	4.50	kg
	Sulphur Oxides (SOx)	0.02	0.01	kg
	Respirable suspended particulates (RSP)	0.32	0.41	kg
<b>A1.2</b>	<b>Greenhouse gas emissions in total</b>			
	Scope 1	3.3	2.3	tonnes CO <sub>2</sub> -e
	Scope 2	58.2	51.3	tonnes CO <sub>2</sub> -e
	Scope 3	516.8	535.1	tonnes CO <sub>2</sub> -e
	Greenhouse gas emissions in total	578.3	588.7	tonnes CO <sub>2</sub> -e
	Greenhouse gas intensity (by no. of staff)	16.1	15.9	tonnes CO <sub>2</sub> -e/ employee
<b>A1.3</b>	<b>Total hazardous waste produced</b>			
	Total hazardous waste	0.000	0.000	
	Hazardous waste intensity (by no. of staff)	0.000	0.000	
<b>A1.4</b>	<b>Total non-hazardous waste produced</b>			
	Total non-hazardous waste	0.98	0.85	tonnes
	Non-hazardous waste intensity (by no. of staff)	0.027	0.023	tonnes/employee
<b>A2.1</b>	<b>Direct and/or indirect energy consumption by type</b>			
	Direct energy consumption	11.4	8.3	MWh
	Petrol	8.5	4.2	MWh
	Diesel	2.9	4.1	MWh
	Indirect energy consumption	72.7	64.8	MWh
	Electricity	72.7	64.8	MWh
	Energy intensity (by no. of staff)	2.337	1.977	MWh/employee

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Environmental KPIs	Quantity		Unit
		2019/20	2018/19	
<b>A2.2</b>	<b>Water consumption in total and intensity</b>			
	Total water consumption	Not available	Not available	
	Water intensity (by no. of staff)	Not applicable	Not applicable	
<b>A2.5</b>	<b>Total packaging material used for finished products</b>			
	Total packaging material used	Not applicable	Not applicable	
	Packaging material used per unit produced	Not applicable	Not applicable	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	20, 27-28
A1.1	The types of emissions and respective emissions data.	27, 32
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	28, 32
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	32
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	32
A1.5	Description of measures to mitigate emissions and results achieved.	27-28
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	29
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	19, 26-27
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	26, 32
A2.2	Water consumption in total and intensity	33
A2.3	Description of energy use efficiency initiatives and results achieved.	26
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	27
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	33

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Aspect	Content	Page Index/ Remarks
<b>A. Environmental</b>		
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	27
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	27
<b>B. Social</b>		
<b>B1 Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	20, 24
B1.1	Total workforce by gender, employment type, age group and geographical region.	30
B1.2	Employee turnover rate by gender, age group and geographical region.	30-31
<b>B2 Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	20, 25
B2.1	Number and rate of work-related fatalities.	31
B2.2	Lost days due to work injury.	31
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	25
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	20, 25



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Aspect	Content	Page Index/Remarks
<b>B. Social</b>		
<b>B4 Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	19, 24
B4.1	Description of measures to review employment practices to avoid child and forced labour.	24
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	20, 22
B5.1	Number of suppliers by geographical region.	31
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	22
<b>B6 Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	20, 23
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	23
B6.2	Number of products and service related complaints received and how they are dealt with.	23
B6.3	Description of practices relating to observing and protecting intellectual property rights.	23
B6.4	Description of quality assurance process.	23
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	23

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Aspect	Content	Page Index/ Remarks
<b>B. Social</b>		
<b>B7 Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	20, 22
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	20
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	22
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	29
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	29
B8.2	Resources contributed (e.g. money or time) to the focus area.	29

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2020 and up to the date of this annual report. During the year ended 31 March 2020, the Directors considered that the Company has complied with the CG Code except for the deviations from code provision A.2.1 of the CG code.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding Directors’ securities transactions adopted by the Company during the year ended 31 March 2020.

## BOARD OF DIRECTORS

### Functions of the Board

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

## CORPORATE GOVERNANCE REPORT

### Delegation by the Board

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

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

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

### Composition

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

As at the date of this Corporate Governance Report, the Board comprises the following five Directors:

### Executive Directors

Mr. Tam Yat Ming Andrew (*Chairman and Chief Executive Officer*)

Mr. Lo King Shun (appointed on 29 January 2020)

### Independent Non-executive Directors ("INED")

Mr. Chu Yin Kam

Mr. Ha Yiu Wing

Dr. Wilson Lee

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

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

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



## CORPORATE GOVERNANCE REPORT

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

### CONTINUING PROFESSIONAL DEVELOPMENT

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

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

### BOARD DIVERSITY POLICY

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

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

### NOMINATION POLICY

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

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

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

## CORPORATE GOVERNANCE REPORT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Company had received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors namely Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 March 2020.

### ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held during the year ended 31 March 2020 is set out in the table below:

	Number of meetings held during the year ended 31 March 2020			
	Attended/Eligible to attend			
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee
<b>Number of meetings held</b>	4	5	1	1
<b>Executive Directors</b>				
Mr. Tam Yat Ming Andrew (Chairman and Chief Executive Officer)	4/4	N/A	N/A	1/1
Mr. Yeung Wun Tang Andy (resigned on 29 January 2020)	1/3	N/A	N/A	N/A
Mr. Lo King Shun (appointed on 29 January 2020)	1/1	N/A	N/A	N/A
<b>Independent non-executive Directors</b>				
Mr. Chu Yin Kam	4/4	5/5	1/1	N/A
Mr. Ha Yiu Wing	4/4	5/5	1/1	1/1
Dr. Wilson Lee	4/4	5/5	1/1	1/1
Average attendance rate	88.9%	100%	100%	100%

### BOARD COMMITTEES

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

## CORPORATE GOVERNANCE REPORT

### Audit Committee

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

During the year ended 31 March 2020, the Audit Committee held 5 meetings, at which it has reviewed and discussed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems. The Audit Committee has also recommended to the Board to consider the re-appointment of Mazars CPA Limited as the Company's external independent auditors at the forthcoming AGM.

### Remuneration Committee

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

During the year ended 31 March 2020, the Remuneration Committee held one meeting, at which it reviewed the remuneration policy and structure for as well as the remuneration packages of all Directors and the senior management. No Director was involved in deciding his/her own remuneration.

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

<b>Emoluments Band</b>	<b>Number of individuals</b>
HK\$0 to HK\$1,000,000	2

## CORPORATE GOVERNANCE REPORT

### Nomination Committee

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

During the year ended 31 March 2020, the Nomination Committee held one meeting, at which it (i) assessed the independence of the INEDs, (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM and (iii) appointment of new executive Director.

### INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 March 2020, BDO Limited has resigned and Mazars CPA Limited has been appointed as the Group's independent auditor.

During the year ended 31 March 2019, BDO Limited was appointed as the Group's independent auditor. Apart from the provision of annual audit services, BDO Tax Limited also provided the non-audit services.

The remuneration paid/payable to Mazars CPA Limited, BDO Limited and BDO Tax Limited for the year ended 31 March 2020 and 31 March 2019 are set out below:

Category of services	2020 HK\$	2019 HK\$
BDO Limited		
<i>Audit services – Annual audit</i>	–	850,000
Mazars CPA Limited		
<i>Audit services – Annual audit</i>	500,000	–
Sub-total	500,000	850,000
BDO Tax Limited		
<i>Non-audit services – Tax services fee</i>	–	100,000
Total	500,000	950,000



## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

During the year ended 31 March 2020, the Board, through the Audit Committee, conducted an annual review on the effectiveness of both the design and implementation of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the year ended 31 March 2020, the Group appointed Zhonghui Anda Risk Services Limited ("**Zhonghui**") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

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

### HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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



## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

### COMPANY SECRETARY

Mr. Lee Pui Chung ("**Mr. Lee**") was appointed as the Company Secretary on 22 March 2019. He is responsible for facilitating the Board meeting process, as well as communications among Board members, shareholders and management. His biographical details are set out in section headed "Directors and Senior Management" above of this section. For the year ended 31 March 2020, Mr. Lee has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of GEM Listing Rules.

### DIVIDEND POLICY

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

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

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- (d) the Group's liquidity position;
- (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (f) other factors that the Board may considered relevant.

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

## CORPORATE GOVERNANCE REPORT

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

### SHAREHOLDERS' RIGHTS

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

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

#### Procedures for putting forward Proposals at a General Meeting

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

#### Procedures for directing Shareholders' enquires to the Board

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

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

- (i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM website "www.hkgem.com" and the Company's website at "www.ims512.com";

## CORPORATE GOVERNANCE REPORT

- (ii) periodic announcements are made through the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company’s website;
- (iv) annual and special general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

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

### CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated memorandum and articles of association (the “**M&A**”) by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 22 December 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the year ended 31 March 2020.

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

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2020 as required by Schedule 5 to the Companies Ordinance (Cap 622 of the Laws of Hong Kong), including a fair review of the Group's business and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 8 to 16 of this annual report which forms part of the report of the directors.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- (a) the key businesses of the Group are project based and we may be unable to compete effectively or secure new contracts upon the completion of our contracts on hand;
- (b) failure to accurately estimate the time and costs required for projects by the Group may lead to cost overruns or even losses in our projects;
- (c) the Group's performance is dependent on global economic conditions and the retail performance of luxury goods; and
- (d) the Group may not remain on its customers' list of approved supplier, which may lead to a decrease in sales to certain end-user luxury brands.

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

## RELATIONSHIPS WITH KEY STAKEHOLDERS

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

## REPORT OF THE DIRECTORS

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Further discussions on the environmental policies are set out in the Environmental, Social and Governance Report on pages 17 to 37 of this annual report which forms part of the report of the directors.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2020 and up to the date of this annual report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group during the year ended 31 March 2020 and up to the date of this annual report.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2020 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 65 to 123 of this annual report. The Directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements or the Prospectus of the Company, is set out on page 124 of this annual report. This summary does not form part of the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 23 to the consolidated financial statements.



## REPORT OF THE DIRECTORS

### EQUITY-LINKED AGREEMENT

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

### PRE-EMPTIVE RIGHTS

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

### TAX RELIEF AND EXEMPTION

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

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

The Directors confirm that during the year ended 31 March 2020 and up to the date of this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 67 of this annual report.

### DISTRIBUTABLE RESERVES

As at 31 March 2020, the Group has distributable reserves of approximately HK\$15,423,000 available for distribution to shareholders of the Group (2019: approximately HK\$10,436,000).

### CHARITABLE DONATION

During the year ended 31 March 2020, the Group made donations amounting to approximately HK\$58,000 (2019: HK\$35,000).

### RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

### MAJOR CUSTOMERS AND SUPPLIERS AND SUBCONTRACTORS

During the year, sales to the Group's five largest customers accounted for 41.0% of the total sales for the year and sales to the largest customer included therein amounted to 17.0%. Purchases from the Group's five largest suppliers and subcontractors amounted to 85.3% of the total purchases for the year and purchase from the largest supplier and subcontractor included therein amounted to 39.0%.

As far as the Directors are aware, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers and subcontractors.

## REPORT OF THE DIRECTORS

### DIRECTORS

The Directors of the Company during the year ended 31 March 2020 and up to the date of this annual report are:

### EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew (*Chairman and Chief Executive Officer*)

Mr. Yeung Wun Tang Andy (resigned on 29 January 2020)

Mr. Lo King Shun (appointed on 29 January 2020)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam

Mr. Ha Yiu Wing

Dr. Wilson Lee

In accordance with Article 84(1) of the Company's Articles of Association, Mr. Lo King Shun and Mr. Ha Yiu Wing will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 6 to 7 of this annual report.

### PERMITTED INDEMNITY PROVISION

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

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

## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

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

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

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

### DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. The emoluments of other Directors are determined by the board of Directors and the Remuneration Committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group. Details of remuneration of the Directors are set out in note 10 to the consolidated financial statements.

### EMOLUMENT POLICY

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

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

Details of the Directors' remuneration and the five highest paid individuals are set out in note 10 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company (as defined under GEM Listing Rules) (the “**Controlling Shareholders**”) during the year ended 31 March 2020.

### DISCLOSURE OF INTERESTS

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

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

#### *Long position in the Shares of the Company*

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Tam Yat Ming Andrew	Interest in controlled corporation <sup>(1)</sup> /	490,000,000	49%
	Interest held jointly with another person <sup>(2)</sup>	260,000,000	26%

## REPORT OF THE DIRECTORS

Notes:

- (1) 490,000,000 Shares are held by Mr. Tam Yat Ming Andrew (“**Mr. Tam**”) indirectly through The Garage Investment Limited (“**Garage Investment**”), which is wholly-owned by Mr. Tam.
- (2) On 25 August 2017, Eight Dimensions Investment Limited (“**Eight Dimensions**”), Mr. Yeung Wun Tang Andy (“**Mr. Yeung**”), Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company as at the Latest Practicable Date by virtue of the SFO.

### *Long position in the Shares of associated corporations*

Name of Directors	Name of associated corporation	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Tam	Garage Investment	Beneficial owner	1	100.00%

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



## REPORT OF THE DIRECTORS

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

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

#### *Long position in the Shares*

Name	Nature of interest	Number of Shares	Percentage of shareholding
Eight Dimensions	Beneficial owner/	260,000,000	26%
	Interest held jointly with another person <sup>(1)</sup>	490,000,000	49%
Garage Investment	Beneficial owner/	490,000,000	49%
	Interest held jointly with another person <sup>(1)</sup>	260,000,000	26%
Mr. Yeung	Interest in controlled corporation <sup>(2)</sup>	260,000,000	26%
	Interest held jointly with another person <sup>(1)</sup>	490,000,000	49%

Note:

- (1) On 25 August 2017, Eight Dimensions, Mr. Yeung, Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company as at the Latest Practicable Date by virtue of the SFO.
- (2) 260,000,000 Shares are held by Mr. Yeung indirectly through Eight Dimensions, which is wholly-owned by Mr. Yeung.

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

## REPORT OF THE DIRECTORS

### MANAGEMENT CONTRACTS

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

### SHARE OPTION SCHEME

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

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

#### (a) Purpose

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

- (i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

#### (b) Eligible Participants

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

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries.

#### (c) Acceptance of an offer of options

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

## REPORT OF THE DIRECTORS

### (d) Maximum number of Shares

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

### (e) Maximum number of options to any one individual

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

### (f) Price of Shares

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

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of the Shares.

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

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

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

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2020 was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### INTEREST IN COMPETING BUSINESSES

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

During the year ended 31 March 2020 and up to the date of this annual report, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group. The controlling shareholders of the Company have confirmed to the Company that from the Listing Date to the date of this annual report, they and their respective close associates (as defined under GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

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

### INTEREST OF THE COMPLIANCE ADVISER

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

### SUFFICIENCY OF PUBLIC FLOAT

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

## REPORT OF THE DIRECTORS

### CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 47 of this annual report.

### EVENTS AFTER THE REPORTING PERIOD

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

### INDEPENDENT AUDITOR

BDO Limited resigned as auditor of the Company on 23 March 2020, and Mazars CPA Limited was appointed as auditor of the Company to fill the vacancy with effect from 23 March 2020. Save as disclosed above, there was no change in auditor during the past three years.

A resolution will be submitted to the 2020 AGM to re-appoint Mazars CPA Limited as auditor of the Company.

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

Hong Kong, 19 June 2020



# INDEPENDENT AUDITOR'S REPORT



**MAZARS CPA LIMITED**  
**中審眾環 (香港) 會計師事務所有限公司**  
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To the members of  
**IMS Group Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of IMS Group Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 65 to 123, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2020, and of its financial performance and 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 (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

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

Key audit matter identified in our audit is summarised as follows:

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><i>Assessment of expected credit losses ("ECLs") on trade receivables</i></p> <p><i>Refer to Notes 4(e), 5, 18 and 26(a) to these consolidated financial statements</i></p> <p>As at 31 March 2020, the Group's trade receivables amounted to approximately HK\$10,252,000, before loss allowance on trade receivables of approximately HK\$6,429,000.</p> <p>The Group determines ECLs on trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. In determining the estimated credit loss allowance for the Group's trade receivables as at year end, management has considered various factors such as the ageing of the outstanding balances, historical payment and credit loss patterns as well as the forecast of future macro-economic conditions over the expected life of the Group's trade receivables, which require significant management judgement. Accordingly, we determined that this is a key audit matter.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none"> <li>– assessing the Group's processes and key controls relating to the monitoring of trade receivables, including the process in determining whether a specific debtor is credit-impaired;</li> <li>– considering the ageing of the receivables to identify collection risks;</li> <li>– evaluating management's assumptions and inputs used in the computation of historical credit loss rates and reviewing data and information that management has used to make forward-looking adjustments;</li> <li>– reviewing collectability by obtaining evidence of subsequent receipts from the selected trade receivables; and</li> <li>– discussing with management on their assessment of the recoverability of long outstanding trade receivables, analysing trend of collections and assessing management's assumptions used to determine ECLs for such trade receivables notably through consideration of their specific profiles and risks.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### OTHER MATTER

The consolidated financial statements for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 28 June 2019.

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2020 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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.

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

## INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

#### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 19 June 2020

The engagement director on the audit resulting in this independent auditor's report is:

#### **Chan Hiu Fun**

Practising Certificate number: P05709



## CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	7	<b>61,424</b>	75,082
Cost of sales		(28,742)	(36,975)
<b>Gross profit</b>		<b>32,682</b>	38,107
Other income	7	480	47
Other gains and losses, net	7	92	68
Administrative expenses		(25,585)	(24,341)
Reversal of (Loss allowance) on trade receivables		575	(1,184)
<b>Profit from operation</b>		<b>8,244</b>	12,697
Finance costs	8(a)	(217)	–
<b>Profit before income tax expenses</b>	8	<b>8,027</b>	12,697
Income tax expenses	11	(3,040)	(6,111)
<b>Profit attributable to owners of the Company</b>		<b>4,987</b>	6,586
<b>Other comprehensive loss:</b>			
<i>Items that are or may be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operations		(1,902)	(746)
<b>Other comprehensive loss for the year</b>		<b>(1,902)</b>	(746)
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>3,085</b>	5,840
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>			
Basic and diluted	13	0.50	0.66

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	8,148	414
Intangible assets	15	604	238
Right-of-use assets	16	4,478	–
Deposit paid under operating leases	18	–	32
		<b>13,230</b>	684
<b>Current assets</b>			
Inventories	17	1,055	1,065
Trade and other receivables	18	5,155	18,095
Tax receivables		216	309
Cash and cash equivalents	19	63,279	59,150
		<b>69,705</b>	78,619
<b>Current liabilities</b>			
Trade and other payables	20	5,798	9,493
Contract liabilities	21	4,261	3,296
Lease liabilities	16	2,095	–
Tax payables		187	2,542
		<b>12,341</b>	15,331
<b>Net current assets</b>		<b>57,364</b>	63,288
<b>Total assets less current liabilities</b>		<b>70,594</b>	63,972
<b>Non-current liabilities</b>			
Other payables	20	22	114
Contract liabilities	21	159	172
Deferred tax liabilities	22	1,157	–
Lease liabilities	16	2,485	–
		<b>3,823</b>	286
<b>NET ASSETS</b>		<b>66,771</b>	63,686
<b>Capital and reserves</b>			
Share capital	23	1,000	1,000
Reserves		65,771	62,686
<b>TOTAL EQUITY</b>		<b>66,771</b>	63,686

These consolidated financial statements on pages 65 to 123 were approved and authorised for issue by the Board of Directors on 19 June 2020 and signed on its behalf by

**Mr. Tam Yat Ming Andrew**  
Director

**Mr. Lo King Shun**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note (a))	Merger reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000 (Note (c))	Statutory surplus reserve HK\$'000 (Note (d))	Retained profits HK\$'000 (Note (e))	
<b>At 1 April 2018</b>	1,000	50,946	8	718	1,324	3,850	57,846
Profit for the year	-	-	-	-	-	6,586	6,586
Other comprehensive loss: <i>Items that are or may be reclassified to profit or loss:</i>							
Exchange difference on translating foreign operations	-	-	-	(746)	-	-	(746)
	-	-	-	(746)	-	-	(746)
Total comprehensive income for the year	-	-	-	(746)	-	6,586	5,840
<b>At 31 March 2019 and at 1 April 2019</b>	1,000	50,946	8	(28)	1,324	10,436	63,686
<b>Profit for the year</b>	-	-	-	-	-	4,987	4,987
Other comprehensive loss: <i>Items that are or may be reclassified to profit or loss:</i>							
Exchange difference on translating foreign operations	-	-	-	(1,902)	-	-	(1,902)
	-	-	-	(1,902)	-	-	(1,902)
Total comprehensive income for the year	-	-	-	(1,902)	-	4,987	3,085
<b>At 31 March 2020</b>	1,000	50,946	8	(1,930)	1,324	15,423	66,771

## Notes:

- (a) Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.
- (b) Merger reserve represents the difference between the Company's investment costs in subsidiaries and the aggregated share capital of the subsidiaries whose shares were transferred to the Company pursuant to the Group's reorganisation.
- (c) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.
- (d) In accordance with the relevant regulation in the Peoples' Republic of China (the "PRC"), a subsidiary operating in the PRC is required to transfer 10% of its profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of its usage of its respective registered capital. The statutory surplus reserve is non-distributable, and is subject to certain restrictions set out in the relevant regulations in the PRC. This reserve can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above usage.
- (e) Retained profits represent cumulative net profits recognised in the consolidated statement of profit or loss and other comprehensive income.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax expenses		8,027	12,697
Adjustment for:			
Depreciation of property, plant and equipment	14	743	422
Amortisation of intangible assets	15	54	33
Depreciation of right-of-use assets	16	1,716	–
(Reversal of) Loss allowance on trade receivables		(575)	1,184
Interest income	7	(480)	(46)
Finance costs	8(a)	217	–
Exchange realignment		(92)	(68)
Operating profit before working capital changes		9,610	14,222
Decrease (Increase) in trade and other receivables		12,888	(5,114)
Decrease (Increase) in inventories		5	(513)
Decrease in trade and other payables		(3,523)	(3,678)
Increase in contract liabilities		1,014	3,468
Decrease in deferred income		–	(375)
<b>Cash generated from operations</b>		<b>19,994</b>	<b>8,010</b>
Income tax paid		(3,979)	(2,795)
Withholding tax paid		(55)	–
<b>Net cash generated from operating activities</b>		<b>15,960</b>	<b>5,215</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	14	(8,602)	(85)
Purchases of intangible assets	15	(420)	(271)
Interest received		480	46
<b>Net cash used in investing activities</b>		<b>(8,542)</b>	<b>(310)</b>
<b>FINANCING ACTIVITIES</b>			
Interest of lease liabilities	19(b)	(217)	–
Repayment of lease liabilities	19(b)	(1,614)	–
<b>Net cash used in financing activities</b>		<b>(1,831)</b>	<b>–</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,587</b>	<b>4,905</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>59,150</b>	<b>55,238</b>
<b>Effect of foreign exchange rate changes</b>		<b>(1,458)</b>	<b>(993)</b>
<b>Cash and cash equivalents at end of year</b>	19(a)	<b>63,279</b>	<b>59,150</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

## 1. GENERAL

IMS Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 15 February 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at Unit 1201, 12th Floor, Block C, Seaview Estate, 8 Watson Road, North Point, Hong Kong.

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

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

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct %	Indirect %		
Pangaea Holdings Limited (“ <b>Pangaea</b> ”)	The British Virgin Islands (“ <b>BVI</b> ”), 14 May 2014, limited liability company	100%	–	1,000 shares of United States Dollars (“ <b>USD</b> ”) 1 each	Investment holding, Hong Kong
MISG Investment Limited	The BVI, 16 February 2017, limited liability company	100%	–	1 share of USD1 each	Investment holding, Hong Kong
MIS Technology Consultants Limited	Hong Kong, 29 April 1998, limited liability company	100%	–	Ordinary shares of HK\$100	Provision of management services to group companies, Hong Kong
MIS Technology Project Limited	Hong Kong, 3 September 1999, limited liability company	–	100%	Ordinary shares of HK\$100	Sales of visual-audio system and provision of system maintenance services, Hong Kong
IMS 512 Limited	Hong Kong, 2 April 2003, limited liability company	–	100%	Ordinary shares of HK\$1,000	Sales of lighting fixtures, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services, Hong Kong



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 1. GENERAL (Continued)

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct %	Indirect %		
Number4 3D Printing Services Limited (formerly known as IMS Contracting Limited)	Hong Kong, 30 May 2014, limited liability company	–	100%	Ordinary shares of HK\$10,000	Dormant, Hong Kong
Bluelite Concept Limited	Hong Kong, 15 December 2009, limited liability company	–	100%	Ordinary shares of HK\$1,000,000	Sales of LED lighting fixtures and provision of integrated LED lighting solution services, Hong Kong
Bluelite Illumination Limited	Hong Kong, 30 May 2014, limited liability company	–	100%	Ordinary shares of HK\$10,000	Sales of lighting fixtures, Hong Kong
CT 2015 Limited	Hong Kong, 20 April 2015, limited liability company	–	100%	Ordinary shares of HK\$10,000	Investment holding, Hong Kong
CCM Services Company Limited	Hong Kong, 3 June 2019, limited liability company	–	100% (2019: Nil)	Ordinary share of HK\$1	Provision of LED lighting system consultation service, Hong Kong
Shenzhen CH Alliance Trading Co., Limited* 深圳創恆聯盟貿易有限公司	The People's Republic of China (the "PRC"), 16 September 2015, limited liability company	–	100%	Registered capital of HK\$500,000 and paid-up capital of HK\$500,000	Sales of LED lighting fixtures and related services, the PRC
Bluelite Illumination (Zhongshan) Limited* 保麗照明(中山)有限公司	The PRC, 24 July 2019, limited liability company	–	100% (2019: Nil)	Registered capital of Renminbi ("RMB") 4,000,000 and paid-up capital of RMB3,000,000	Dormant, the PRC

Unless stated otherwise, the percentage of equity interests held by the Company for the years ended 31 March 2020 and 2019 are the same.

\* The official names are in Chinese and the English names are translated for identification purpose only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### (a) Adoption of new/revised HKFRSs – effective on 1 April 2019

The HKICPA has issued a number of new/revised HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

Annual Improvements to HKFRSs	2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Except for HKFRS 16 as described below, the adoption of the above new/revised HKFRSs does not have any significant impact on the consolidated financial statements.

#### *HKFRS 16: Leases*

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. HKFRS 16 also requires enhanced disclosures to be provided by lessees.

The Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated and continues to be reported under HKAS 17.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

*(Continued)*

#### (a) Adoption of new/revised HKFRSs – effective on 1 April 2019 *(Continued)*

##### *HKFRS 16: Leases (Continued)*

Upon adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA and applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;
- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA (“short-term leases”) and low-value assets;
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA;
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the DIA. The Group has applied incremental borrowing rate of 5% to the lease liabilities at the DIA.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows:

	HK\$’000
Operating lease commitments at 31 March 2019	2,605
Discounted using the lessee’s incremental borrowing rate at the DIA	2,340
Less: Short-term leases with remaining lease term ending on or before 31 March 2020	(1,055)
Less: Leases of low-value assets	(42)
Lease liabilities as at 1 April 2019	1,243

At the DIA, all right-of-use assets were presented within the line item “right-of-use assets” on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### (a) Adoption of new/revised HKFRSs – effective on 1 April 2019 (Continued)

##### HKFRS 16: Leases (Continued)

As a result, transfer was made at the DIA to reflect the change in presentation:

	31 March 2019 HK\$'000	Impact on initial application of HKFRS 16 HK\$'000	1 April 2019 HK\$'000
<b>Assets</b>			
Right-of-use assets	–	1,243	1,243
<b>Liabilities</b>			
Lease liabilities	–	1,243	1,243

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

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKASs 1 and 8	Definition of Material <sup>1</sup>
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>3</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>5</sup> The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Business combination and basis of consolidation

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

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

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

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

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

#### (b) Subsidiaries

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

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

#### (c) Property, plant and equipment

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (c) Property, plant and equipment *(Continued)*

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

Leasehold improvements	Over the lease terms
Audio equipment	20%
Machineries	10%
Motor vehicles	20-25%
Office equipment	20%

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

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

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

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

Computer software	5 years
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Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (e) Financial instruments

##### *Financial assets*

##### Recognition and derecognition

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

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

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

##### Classification and measurement

Financial assets are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at FVPL, transaction costs that are direct attributable to the acquisition or issue of the financial assets.

##### *Financial assets measured at amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables and cash and cash equivalents.

##### *Financial liabilities*

##### Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (e) Financial instruments *(Continued)*

##### *Financial liabilities (Continued)*

##### Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

##### *Impairment of financial assets and other items*

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

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

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

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

The Group considers that default has occurred when a financial assets is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (e) Financial instruments *(Continued)*

##### *Impairment of financial assets and other items (Continued)*

The Group considers a financial asset to be credit-impaired when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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

#### (f) Leasing

##### *Applicable from 1 April 2019*

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *As lessee*

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

- (i) the amount of the initial measurement of the lease liabilities;
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the Group; and
- (iv) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (f) Leasing *(Continued)*

*Applicable from 1 April 2019 (Continued)*

*As lessee (Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset as follows:

Office premises	Over the lease term
-----------------	---------------------

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate;
- (iii) amounts expected to be payable under residual value guarantees;
- (iv) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (f) Leasing *(Continued)*

##### *Applicable from 1 April 2019 (Continued)*

##### *As lessee (Continued)*

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if,

- (i) the modification increases the scope of the lease by adding the right to use or more underlying assets; and
- (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (i) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (ii) the Group determines the lease term of the modified contract.
- (iii) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (iv) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (v) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

##### *Applicable before 1 April 2019*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (g) Employee benefits

##### (i) *Defined contribution retirement plan*

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

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

##### (ii) *Short-term employee benefits*

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

##### (iii) *Termination benefits*

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

#### (h) Foreign currencies

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (i) Revenue recognition

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

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

Point in time

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

Over time

- (i) Income from integrated LED lighting solution
- (ii) Consultancy service income and maintenance service income

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (i) Revenue recognition *(Continued)*

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

The revenue from provision of integrated LED lighting solution is recognised over time because the Group provides installation services of LED projects which create or enhance an asset that the customer controls. The Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The principal input applied in the input method is direct and indirect costs relating to the contracts.

##### (iii) Income from LED lighting consultation and maintenance service (over time)

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

#### (j) Income taxes

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (k) Provisions and contingent liabilities

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

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

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

#### (l) Impairment of non-financial assets

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (m) Cash and cash equivalents

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

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

#### (n) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity);
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

#### (n) Related parties *(Continued)*

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

#### (o) Inventories

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

#### (p) Research and development costs

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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

#### Estimates and assumptions

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

#### (a) *Income tax and deferred taxation*

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

#### (b) *Warranty provisions*

As disclose in Note 20(b) to these consolidated financial statements, the Group makes provision for warranties for its integrated LED lighting solution services taking into account the Group's recent claim history. It is possible that the recent claim history is not indicative of the extent of future claims the Group will need to settle in respect of past sales. Any increase or decrease in provision would affect the profit or loss of the Group in future years.

#### (c) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of market conditions. Management reassesses the estimation at the end of each reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

#### Estimates and assumptions *(Continued)*

##### *(d) Impairment of investments*

The Group assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

##### *(e) Determination of discount rates for calculating lease liabilities*

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgment and adjusts such observable rate to determine the incremental borrowing rate.

##### *(f) Loss allowance for ECLs*

The Group's management estimates the loss allowance on trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumption and inputs used in estimating ECLs are set out in Note 26(a) to these consolidated financial statements.

##### *(g) Useful lives and impairment of property, plant and equipment and right-of-use assets*

The Group's management reviews the residual value, useful lives and depreciation method of property, plant and equipment and right-of-use assets at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group's management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined by reference to the higher of VIU and fair value less costs of disposal. VIU is determined using the discounted cash flow method. Owing to inherent risk associated with estimations in the timing and magnitude of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from its actual recoverable amount and profit or loss could be affected by accuracy of the estimations.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

#### Estimates and assumptions *(Continued)*

##### *(h) Deferred tax liabilities*

Deferred tax liabilities have been provided for the withholding tax that would be payable on the undistributed earnings of the subsidiaries in the PRC as those earnings are expected to be distributable in the foreseeable future. Details of deferred tax liabilities are disclosed in Note 22 to these consolidated financial statements.

### 6. SEGMENT INFORMATION

#### Operating segments

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

#### Geographical information

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 6. SEGMENT INFORMATION (Continued)

#### Geographical information (Continued)

The Group comprises the following major geographical segments:

	Revenue from external customers by customers' location		Specified non-current assets by assets' location	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong (place of domicile)	4,275	8,175	7,123	642
The PRC	30,464	43,830	6,107	10
Asia (excluding Hong Kong and the PRC)	24,920	21,805	–	–
Europe	300	434	–	–
Others	1,465	838	–	–
	<b>61,424</b>	75,082	<b>13,230</b>	652

#### Information about major customers

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

	2020 HK\$'000	2019 HK\$'000
Customer A	N/A	16,874
Customer B	10,412	8,343

The revenue from Customer A was less than 10% of the revenue of the Group for the year ended 31 March 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 6. SEGMENT INFORMATION (Continued)

#### Information about major customers (Continued)

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

#### Disaggregation of revenue from contracts with customers

	Integrated LED lighting solution service		Sales of LED lighting and fixtures		Sales of visual-audio systems		LED lighting system consultation and maintenance services		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Geographical markets</b>										
- Hong Kong (place of domicile)	116	3,370	2,665	3,061	105	103	1,389	1,641	4,275	8,175
- The PRC	3,475	-	24,679	43,825	-	-	2,310	5	30,464	43,830
- Asia (excluding Hong Kong and the PRC)	-	-	23,325	20,901	-	-	1,595	904	24,920	21,805
- Europe	-	-	300	434	-	-	-	-	300	434
- Others	-	-	1,465	838	-	-	-	-	1,465	838
	<b>3,591</b>	<b>3,370</b>	<b>52,434</b>	<b>69,059</b>	<b>105</b>	<b>103</b>	<b>5,294</b>	<b>2,550</b>	<b>61,424</b>	<b>75,082</b>
<b>Timing of revenue recognition</b>										
- At a point in time	-	-	52,434	69,059	105	103	-	-	52,539	69,162
- Over time	3,591	3,370	-	-	-	-	5,294	2,550	8,885	5,920
	<b>3,591</b>	<b>3,370</b>	<b>52,434</b>	<b>69,059</b>	<b>105</b>	<b>103</b>	<b>5,294</b>	<b>2,550</b>	<b>61,424</b>	<b>75,082</b>

### 7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
<i>Revenue – at point in time</i>		
Sales of LED lighting and fixtures	52,434	69,059
Sales of visual-audio systems	105	103
<i>Revenue – over time</i>		
LED lighting system consultation and maintenance services	5,294	2,550
Integrated LED lighting solution service	3,591	3,370
	<b>61,424</b>	<b>75,082</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
<b>Other income</b>		
Interest income from bank deposits	70	46
Interest income from fixed time deposits	410	–
Sundry income	–	1
	<b>480</b>	47
<b>Other gains and losses, net</b>		
Exchange gain, net	92	68
	<b>92</b>	68

### 8. PROFIT BEFORE INCOME TAX EXPENSES

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

	2020 HK\$'000	2019 HK\$'000
<b>(a) Finance costs</b>		
Interest on lease liabilities	217	–
<b>(b) Other items</b>		
Costs of inventories recognised as expenses	23,609	32,498
Auditor's remuneration		
– Audit-related assurance services	500	850
Depreciation of property, plant and equipment (Note 14)	743	422
Amortisation of intangible assets (Note 15)	54	33
Depreciation of right-of-use assets (Note 16)	1,716	–
Leases expenses of other premises under short term leases	755	–
Leases expenses of low-value asset	15	–
Rental expenses for leases previously classified as operating leases under HKAS 17		
– Land and building	–	2,473
– Plant and equipment	–	60
(Reversal of) Loss allowance on trade receivables	(575)	1,184

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION**

	2020 HK\$'000	2019 HK\$'000
Fees, wages and salaries	18,296	17,651
Post-employment benefits – payment to defined contribution retirement plan	628	611
Other benefits	1,128	685
	<b>20,052</b>	<b>18,947</b>

Employee benefit expenses included an amount of HK\$4,625,000 (2019: HK\$3,713,000) charged to cost of sales as labour costs for the year ended 31 March 2020.

**10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS****(i) Directors' remuneration**

The emoluments paid or payable to the directors and chief executive of the Company by the Group during the year were as follows:

	Year ended 31 March 2020				Total HK\$'000
	Fees HK\$'000	Basic salaries, allowance and other benefits HK\$'000	Discretionary bonus HK\$'000	Contribution to defined contribution retirement plan HK\$'000	
<b>Executive directors and chief executive</b>					
Mr. Tam Yat Ming Andrew	-	2,166	370	18	2,554
Mr. Lo King Shun (appointed on 29 January 2020)	-	111	-	3	114
Mr. Yeung Wun Tang Andy (resigned on 29 January 2020)	-	412	-	5	417
	-	2,689	370	26	3,085
<b>Independent non-executive directors</b>					
Mr. Chu Yin Kam	180	-	-	-	180
Mr. Ha Yiu Wing	180	-	-	9	189
Dr. Wilson Lee	180	-	-	9	189
	540	-	-	18	558
	540	2,689	370	44	3,643



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (i) Directors' remuneration (Continued)

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

During the year, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2019: Nil).

#### (ii) Five highest paid individuals

The five highest paid individuals of the Group for the year ended 31 March 2020 included one (2019: two) director(s) whose emoluments are set out in the analysis above. The remuneration of the remaining four (2019: three) non director highest paid individuals is as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries, bonuses and other allowances	3,562	2,013
Post-employment benefits – payment to defined contribution retirement plan	72	54
	3,634	2,067

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS***(Continued)***(ii) Five highest paid individuals *(Continued)***

The emoluments of the four (2019: three) non director highest paid individuals are within the following bands:

	Number of employees	
	2020	2019
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	–
	4	3

During the year, none of the non director highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the non director highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2019: Nil).

**(iii) Senior management's emoluments excluding the directors**

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

	Number of employees	
	2020	2019
Nil – HK\$1,000,000	2	4

The emoluments of two (2019: four) members of senior management are included in the remuneration of the four (2019: three) non director highest paid individuals set out in Note 10(ii) above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 11. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 HK\$'000	2019 HK\$'000
Current tax		
Hong Kong profits tax		
– Under provision in respect of prior years	–	84
PRC enterprise income tax (“EIT”)		
– Current year	1,814	6,027
	1,814	6,111
Withholding income tax	55	–
Deferred income tax (Note 22)	1,171	–
Income tax expense	3,040	6,111

#### Hong Kong profits tax

No provision of Hong Kong profits tax had been made as the Group’s does not have assessable profit or has tax losses brought forward to set off assessable profit from Hong Kong for the years ended 31 March 2020 and 2019.

#### PRC EIT

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

#### Withholding income tax

Under the EIT Law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. non-China tax resident enterprise, will be subject to the PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the holding company in Hong Kong if the holding company is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group’s PRC entities will reduce the Group’s net income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**11. INCOME TAX EXPENSE (Continued)****Withholding income tax (Continued)**

Withholding income tax is provided on the dividends to be distributed by a PRC subsidiary of the Group. The relevant company has successfully obtained endorsement from PRC tax bureau to enjoy the treaty benefit of 5% EIT rate on dividends received from a PRC subsidiary of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by a PRC subsidiary of the Group.

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

	2020 HK\$'000	2019 HK\$'000
Profit before income tax expense	8,027	12,697
Tax calculated at applicable tax rates of 16.5% (2019: 16.5%)	1,324	2,095
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	711	1,897
Tax effect of income not subject to tax	(125)	(12)
Tax effect of expenses not deductible for tax purpose	766	942
Tax effect of tax loss not recognised	227	1,105
Tax effect of utilisation of previously unrecognised tax losses	(197)	–
Tax effect of unrecognised temporary differences	(264)	–
Tax concession	(4)	–
Under provision in respect of prior years	–	84
Effect of withholding tax on the net distributable earnings of a Group's PRC subsidiary	547	–
Withholding income tax for dividend	55	–
Income tax expense	3,040	6,111

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 12. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2020 (2019: Nil).

### 13. EARNINGS PER SHARE

#### (a) Basic

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

	2020 HK\$'000	2019 HK\$'000
<b>Numerator</b>		
Profit attributable to owners of the Company	4,987	6,586
	'000 shares	'000 shares
<b>Denominator</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,000	1,000,000
Basic earnings per share (HK cents)	0.50	0.66

#### (b) Diluted

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the years ended 31 March 2020 and 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Audio equipment HK\$'000	Machineries HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost:</b>						
At 1 April 2018	1,731	693	–	–	1,214	3,638
Additions	–	85	–	–	–	85
Exchange realignment	–	(2)	–	–	–	(2)
At 31 March 2019 and 1 April 2019	1,731	776	–	–	1,214	3,721
Additions	3,715	604	1,144	2,973	166	8,602
Written off	(357)	–	–	–	–	(357)
Exchange realignment	(53)	(2)	–	(68)	(4)	(127)
At 31 March 2020	5,036	1,378	1,144	2,905	1,376	11,839
<b>Accumulated depreciation:</b>						
At 1 April 2018	1,471	424	–	–	991	2,886
Charge for the year	195	90	–	–	137	422
Exchange realignment	–	(1)	–	–	–	(1)
At 31 March 2019 and 1 April 2019	1,666	513	–	–	1,128	3,307
Charge for the year	373	146	57	81	86	743
Written off	(357)	–	–	–	–	(357)
Exchange realignment	–	(1)	–	(1)	–	(2)
At 31 March 2020	1,682	658	57	80	1,214	3,691
<b>Net book value:</b>						
At 31 March 2020	3,354	720	1,087	2,825	162	8,148
At 31 March 2019	65	263	–	–	86	414

The depreciation charge for the years ended 31 March 2020 and 2019 are included in “administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 15. INTANGIBLE ASSETS

	Computer software HK\$'000
Cost:	
At 1 April 2018	–
Additions	271
At 31 March 2019 and 1 April 2019	271
Additions	420
At 31 March 2020	691
Accumulated amortisation:	
At 1 April 2018	–
Charge for the year	33
At 31 March 2019 and 1 April 2019	33
Charge for the year	54
At 31 March 2020	87
Net book value:	
At 31 March 2020	604
At 31 March 2019	238

The amortisation charge for the years ended 31 March 2020 and 2019 are included in “administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES****Right-of-use assets**

	Office premises HK\$'000
Cost:	
At 1 April 2019	–
Recognition upon initial application of HKFRS 16	1,243
Additions	4,969
Exchange realignment	(23)
At 31 March 2020	6,189
Accumulated depreciation:	
At 1 April 2019	–
Charge for the year	1,716
Exchange realignment	(5)
At 31 March 2020	1,711
Net book value:	
At 31 March 2020	4,478

The Group's right-of-use assets represent the leases of various offices premises and staff accommodation. Rental contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions. The Group has applied incremental borrowing rate of 5% to the lease liabilities.

Until the year ended 31 March 2019, leases of offices premises and office equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for short-term leases and low-value assets. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

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

##### Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

##### Extension options

The lease contracts of office premises and staff accommodation contain an extension option to renew the lease by serving not less than 1 month written notice before the end of the current lease term and the renewed lease term is 1 year. At the end of the reporting period, the potential undiscounted future lease payments relating to periods following the exercise dates of extension option not included in lease liabilities is approximately HK\$78,000.

#### Lease liabilities

	2020 HK\$'000
Current portion	2,095
Non-current portion	2,485
	<b>4,580</b>

The Group has recognised the following amounts for the year:

	2020 HK\$'000	2019 HK\$'000
Lease payments:		
Short-term leases	755	–
Low-value assets	15	–
Operating lease payments	–	2,533
Expenses recognised in profit or loss	<b>770</b>	2,533
Lease payments:		
Interest on lease liabilities	217	–
Repayment of lease liabilities	1,614	–
	<b>1,831</b>	–
Total cash outflow for leases	<b>2,601</b>	2,533

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES** *(Continued)***Lease liabilities** *(Continued)**Commitments under leases*

At 31 March 2020, the Group was committed to HK\$93,000 for short-term leases.

At 31 March 2019

The total future minimum lease payments under non-cancellable operating leases in respect of its office premises and office equipment are payable as follows:

	<b>2019</b> <b>HK\$'000</b>
Not later than one year	1,647
Later than one year and not later than two years	552
Later than two years and not later than five years	406
	2,605

**17. INVENTORIES**

Inventories in the consolidated statement of financial position comprise:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Finished goods	<b>1,055</b>	1,065



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 18. TRADE AND OTHER RECEIVABLES

	Note	2020 HK\$'000	2019 HK\$'000
<b>Trade receivables</b>			
From third parties		10,252	23,409
Less: Expected credit loss		(6,429)	(7,191)
Trade receivables, net	(a)	3,823	16,218
<b>Other receivables</b>			
Prepayment and deposits		1,230	1,798
Other receivables		102	111
	(b)	1,332	1,909
Total trade and other receivables		5,155	18,127
Less: Non-current portion			
Deposits paid under operating leases		–	(32)
Current portion		5,155	18,095

Note:

- (a) The Group generally allows a credit period within 30 (2019: 30) days to its trade customers. Application for progress payments on projects are made on regular basis. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the earlier of invoice date or revenue recognition date is as follow:

	2020 HK\$'000	2019 HK\$'000
Less than 1 month	536	8,536
1 month to 3 months	1,146	4,515
4 months to 6 months	1,308	2,810
More than 6 months but less than one year	833	177
More than one year	–	180
	3,823	16,218

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**18. TRADE AND OTHER RECEIVABLES (Continued)**

Note: (Continued)

(a) (Continued)

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

	2020 HK\$'000	2019 HK\$'000
At beginning of the reporting period	7,191	6,026
(Reversal of) Loss allowance on trade receivables	(575)	1,184
Exchange realignment	(187)	(19)
At the end of the reporting period	6,429	7,191

Information about the impairment of trade receivables and the Group's exposure to credit risk is detailed in Note 26(a) to these consolidated financial statements.

- (b) The above balances of other receivables, prepayments and deposits as at 31 March 2020 and 31 March 2019 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

**19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION**

(a) An analysis of the balance of cash and cash equivalents:

	Note	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	(i)	22,674	59,150
Fixed time deposits	(ii)	40,605	–
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	(iii)	63,279	59,150

Note:

- (i) Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.
- (ii) The fixed time deposits are interest bearing ranging from 1% to 2.75% per annum and mature within 35 days from the placements date.
- (iii) As at 31 March 2020, cash and bank balances of the Group included an amount of approximately HK\$7,902,000 (2019: HK\$22,162,000) and fixed time deposits of the Group included an amount of approximately HK\$18,605,000 (2019: Nil) denominated in RMB and deposited in banks in the PRC. The RMB is not freely convertible currency in the international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

#### (b) Reconciliation of liabilities arising from financing activities:

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

	Lease liabilities HK\$'000 (Note 16)
At 31 March 2019	–
Impact on initial application of HKFRS 16 (Note 2(a))	1,243
At 1 April 2019	1,243
<b>Changes from financing cash flows:</b>	
Repayment of lease liabilities	(1,614)
Interest on lease liabilities	(217)
<b>Total changes from financing cash flows</b>	<b>(1,831)</b>
<b>Other changes:</b>	
Finance costs	217
New lease liabilities	4,969
Exchange realignment	(18)
Total other changes	5,168
<b>At 31 March 2020</b>	<b>4,580</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**20. TRADE AND OTHER PAYABLES**

	Note	2020 HK\$'000	2019 HK\$'000
<b>Trade payables</b>	(a)	<b>4,708</b>	6,113
<b>Other payables</b>			
Provision of warranties	(b)	117	162
Other payables and accruals	(c)	995	3,332
		<b>1,112</b>	3,494
<b>Total trade and other payables</b>		<b>5,820</b>	9,607
Less: Non-current portion			
Provision of warranties	(b)	(22)	(114)
<b>Current portion</b>		<b>5,798</b>	9,493

Note:

- (a) The credit period of trade payables is normally within 30 (2019: 30) days. The ageing analysis of the trade payables based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
Current or less than 1 month	545	3,559
1 month to 3 months	363	985
4 months to 6 months	709	1,566
7 months to 12 months	3,078	–
More than one year	13	3
	<b>4,708</b>	6,113

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 20. TRADE AND OTHER PAYABLES (Continued)

Note: (Continued)

(b) Movement in provision for warranties for integrated LED lighting solution services provided is as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the reporting period	162	275
Provision for the year	69	51
Less: Reversal of unused amount	(100)	(152)
Amount credited to profit or loss for the year	(31)	(101)
Less: Amount utilised	(14)	(12)
At the end of the reporting period	117	162
Categories as:		
Non-current portion	22	114
Current portion	95	48
	117	162

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

### 21. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
<b>Contract liabilities arising from:</b>		
Sale of goods	4,204	3,242
Deferred income	216	226
	4,420	3,468
Less: Non-current portion		
Deferred income	(159)	(172)
Current portion	4,261	3,296



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**21. CONTRACT LIABILITIES (Continued)**

- (a) Typical payment terms which impact on the amount of contract liabilities are as follows:

**Sale of goods**

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

**Integrated LED lighting solution**

Deferred income relates to advance receipts for additional warranty on integrated LED lighting solution for which services have not yet been rendered.

- (b) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the reporting period	3,468	3,435
Decrease in contract liabilities as a result of recognising revenue during the year	(3,213)	(3,435)
Increase in contract liabilities as a result of receipts in advance of sale of goods	4,123	3,617
Decrease in contract liabilities as a result of recognising deferred income during the year	(8)	(199)
Increase in contract liabilities as a result of progress payment of integrated LED Lighting solution	128	50
Exchange realignment	(78)	–
At end of the reporting period	<b>4,420</b>	3,468

At 31 March 2020, the contract liabilities that are expected to be settled within 12 months are HK\$4,261,000 (2019: HK\$3,296,000).

The amount of transaction price allocated to the performance obligation that are unsatisfied (or partially unsatisfied) at 31 March 2020 (including the balance of contract liabilities as disclosed above) is as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Expected timing of revenue recognition:</b>		
Within 1 year	5,920	3,623
More than 1 year	159	184
	<b>6,079</b>	3,807

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 22. DEFERRED TAXATION

#### (a) Deferred tax liabilities

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

	Depreciation allowance HK\$'000	PRC withholding tax on distributable profits HK\$'000	Total HK\$'000
At 31 March 2019 and 1 April 2019	–	–	–
Charged to profit or loss (Note 11)	624	547	1,171
Exchange realignment	(14)	–	(14)
At 31 March 2020	610	547	1,157

#### (b) Deferred tax assets not recognised

	2020 HK\$'000	2019 HK\$'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	–	787
Tax losses	8,729	8,551
At end of the reporting period	8,729	9,338

Certain subsidiaries had estimated tax losses arising in Hong Kong totaling approximately HK\$8,729,000 as at 31 March 2020 (2019: HK\$8,551,000). The tax losses arising in Hong Kong can be carried forward indefinitely for offsetting against taxable profits of those companies in which the losses arose. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**22. DEFERRED TAXATION (Continued)****(c) Deferred tax liabilities not recognised**

No deferred tax liability has been recorded on the temporary differences of HK\$20,160,000 (2019: HK\$27,091,000) relating to the undistributed earnings of a PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

**23. SHARE CAPITAL**

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.001 each	10,000,000,000	10,000	10,000,000,000	10,000
<b>Issued and fully paid:</b>				
At 1 April and 31 March	1,000,000,000	1,000	1,000,000,000	1,000

**24. RETIREMENT BENEFITS**

The Group has arranged its Hong Kong employees to join Mandatory Provident Fund (“MPF”) Scheme. Under the MPF Scheme, each of the Group’s companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees’ earnings as defined under the MPF Scheme Ordinance. The contributions from each of the employers and employees are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary.

The Group’s employees in the PRC are required to participate in a defined contribution retirement scheme administered and operated by local municipal governments. The Group’s PRC subsidiaries contribute funds which are calculated on fixed percentage of the employees’ salaries (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefit of the employees during the year.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 25. RELATED PARTY TRANSACTIONS

#### (a) Related party transactions

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

#### (b) Remuneration to key management personnel

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in Note 10 to these consolidated financial statements.

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

The Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

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

As at 31 March 2020, the top five customers contributed over 65% (2019: 85%) of the Group's total trade receivables.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS** *(Continued)***(a) Credit risk** *(Continued)*

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. A summary of the maximum exposure to credit risk is as follows:

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents	63,279	59,150
Trade receivables	3,823	16,218
Other receivables excluding prepayments	899	1,585
At end of the reporting period	<b>68,001</b>	76,953

***Cash and cash equivalents***

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the consolidation statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

***Trade receivables***

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Trade receivables (Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020 and 2019:

As at 31 March 2020	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
1-30 days past due	6.29%	572	36
31-90 days past due	8.32%	1,250	104
91-180 days past due	17.84%	1,592	284
181-365 days past due	32.61%	1,236	403
More than 365 days past due	100.00%	5,602	5,602
		<b>10,252</b>	<b>6,429</b>

As at 31 March 2019	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
1-30 days past due	6.27%	9,107	571
31-90 days past due	8.35%	4,926	411
91-180 days past due	17.87%	3,422	612
181-365 days past due	32.60%	263	86
More than 365 days past due	96.84%	5,691	5,511
		<b>23,409</b>	<b>7,191</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Other receivables*

Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

In respect of other receivables, the balances are considered to be low risk based on the past history of making payments when due and current ability to pay, and therefore the impairment provision is determined based on 12 months ECLs. After applying the ECLs model, the management considered that no impairment provision at the end of the reporting period.

#### (b) Liquidity risk

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

##### *Contractual maturities of financial liabilities*

The maturity profile of the Group's non-derivative financial liabilities at end of the reporting period, based on contractual discounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at end of the reporting period) are summarised below:

	Carrying amount HK\$'000	Contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
<b>As at 31 March 2020</b>					
<b>Non-derivative financial liabilities</b>					
Lease liabilities (including interests)	4,580	4,817	2,266	2,227	324
Trade and other payables (excluding non-financial liabilities)	5,279	5,279	5,279	–	–
	9,859	10,096	7,545	2,227	324
<b>As at 31 March 2019</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables (excluding non-financial liabilities)	9,362	9,362	9,362	–	–
	9,362	9,362	9,362	–	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (c) Interest rate risk

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

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

The Group's interest rate risk arises primarily from cash and cash equivalent issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

#### (i) *Sensitivity analysis*

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

At 31 March 2020, it is estimated that a general increase/decrease of 25 (2019: 25) basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately HK\$47,000 (2019: HK\$136,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after taxation and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS** *(Continued)***(d) Currency risk**

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

**(i) Exposure to currency risk**

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of RMB. For presentation purposes, the amounts of the exposure are shown in HK\$, translated using the spot rate at the end of each reporting period as follows:

	RMB	
	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents	6,109	–
Trade and other payables	(2,803)	(769)
At the end of the reporting period	3,306	(769)

**(ii) Sensitivity analysis**

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

	2020 HK\$'000	2019 HK\$'000
(Decrease) Increase in profit after taxation and increase in retained profits for the year		
Weakened 5% (2019: 7%)		
– RMB	(138)	50
Strengthened 5% (2019: 7%)		
– RMB	138	(50)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (d) Currency risk *(Continued)*

##### (ii) *Sensitivity analysis (Continued)*

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities profit or loss after taxation and equity measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

#### (e) Capital risk management

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

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

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

#### (f) Fair value measurement

##### (i) *Financial assets and liabilities measured at fair value*

There were no transfers of fair value measurements during the years ended 31 March 2020 and 2019.

##### (ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2020 and 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (g) Financial instruments by category

The carrying amounts of each of the categories of financial instruments at each of the reporting date are as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
– Financial assets measured at amortised cost	68,001	76,953
<b>Financial liabilities</b>		
– Financial liabilities measured at amortised cost	5,279	9,362

### 27. SHARE OPTION SCHEME

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

A summary of the Scheme is set out as below:

- (i) The Scheme is effective for a period of 10 years commencing from 22 December 2017.
- (ii) Under the Scheme, a subscription price shall be a price solely determined by the board of directors and notified to a participant and shall be not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share on the date of grant of the option.
- (iii) An offer for the grant of options must be accepted within any prescribed acceptance date on which such offer was made.
- (iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the shares in issue as at the listing date, or the date of approval of the renew limit by the shareholders in general meeting.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 28. CAPITAL EXPENDITURE COMMITMENTS

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided net of deposit paid for acquisition of:		
– Property, plant and equipment	873	–
– Intangible asset	132	–
	<b>1,005</b>	–

### 29. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in these consolidated financial statements, a summary of events transacted after end of the reporting period is set out below:

#### The assessment of the impact of the Coronavirus Disease 2019 (“COVID-19”)

After the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.

Given the dynamic nature of the COVID-19 outbreak, it is not practicable at this stage to provide a reasonable estimate of its impacts on the Group’s financial position, cash flows and operating results at the date on which these consolidated financial statements are authorised for issue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 March 2020

**30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES****(a) Company-level statement of financial position**

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current asset</b>			
Investments in subsidiaries		10,419	10,419
<b>Current assets</b>			
Amounts due from subsidiaries		20,630	15,383
Other receivables		176	288
Cash and cash equivalents		24,463	32,092
		45,269	47,763
<b>Current liabilities</b>			
Other payables		632	199
Amounts due to subsidiaries		12,176	12,226
		12,808	12,425
<b>Net current assets</b>		32,461	35,338
<b>NET ASSETS</b>		42,880	45,757
<b>Equity and reserves</b>			
Share capital	23	1,000	1,000
Reserves	30(b)	41,880	44,757
<b>TOTAL EQUITY</b>		42,880	45,757

This statement of financial position was approved and authorised for issue by the Board of Directors on 19 June 2020 and signed on its behalf by

**Mr. Tam Yat Ming Andrew**  
Director

**Mr. Lo King Shun**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

### 30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

(Continued)

#### (b) Company-level reserves

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium HK\$'000	Contributed surplus HK\$'000 (note)	Accumulated losses HK\$'000	Total HK\$'000
Balance at and 1 April 2018	50,946	10,419	(13,799)	47,566
Loss and total comprehensive loss for the year	-	-	(2,809)	(2,809)
<b>Balance at 31 March 2019 and 1 April 2019</b>	<b>50,946</b>	<b>10,419</b>	<b>(16,608)</b>	<b>44,757</b>
Loss and total comprehensive loss for the year	-	-	(2,877)	(2,877)
<b>Balance at 31 March 2020</b>	<b>50,946</b>	<b>10,419</b>	<b>(19,485)</b>	<b>41,880</b>

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

## FINANCIAL SUMMARY

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

### RESULTS

	2020 HK\$'000	For the year ended 31 March			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	<b>61,424</b>	75,082	65,946	67,443	42,126
Cost of sales	(28,742)	(36,975)	(31,588)	(28,560)	(18,935)
<b>Gross profit</b>	<b>32,682</b>	38,107	34,358	38,883	23,191
Other income	480	47	97	358	75
Other gains and losses, net	92	68	(16)	1,448	195
Administrative expenses	(25,585)	(24,341)	(20,962)	(15,711)	(15,720)
Reversal of (Loss allowance) on trade receivables	575	(1,184)	-	-	-
Finance costs	(217)	-	(147)	-	-
Listing expenses	-	-	(13,105)	(4,123)	-
<b>Profit before income tax expense</b>	<b>8,027</b>	12,697	225	20,855	7,741
Income tax expense	(3,040)	(6,111)	(3,750)	(4,428)	(1,267)
<b>Profit (loss) attributable to owners of the Company</b>	<b>4,987</b>	6,586	(3,525)	16,427	6,474
<b>Items that are or may be reclassified to profit or loss</b>					
Exchange difference on translating foreign operations	(1,902)	(746)	803	(85)	-
<b>Other comprehensive (loss) income for the year</b>	<b>(1,902)</b>	(746)	803	(85)	-
<b>Total comprehensive income (loss) for the year attributable to owners of the Company</b>	<b>3,085</b>	5,840	(2,722)	16,342	6,474

### ASSETS AND LIABILITIES

	2020 HK\$'000	As at 31 March			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	82,935	79,303	76,031	50,875	29,596
Total liabilities	(16,164)	(15,617)	(16,012)	(40,080)	(15,143)
Total equity	66,771	63,686	60,019	10,795	14,453

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

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

The financial information for the years ended 31 March 2017 and 2016 were extracted from the prospectus of the Company dated 11 January 2018. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 1 to the consolidated financial statements.