

**LAI GROUP HOLDING COMPANY LIMITED**

**禮建德集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock code: 8455**

**ANNUAL REPORT 2020**



# CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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## BOARD OF DIRECTORS

### Executive Directors

Mr. Chan Lai Sin (*Chairman*)  
Mr. Hung Lap Ka (resigned on 9 September 2019)  
Ms. Wan Pui Chi (appointed on 20 September 2019)

### Independent non-executive Directors

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

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## COMPANY SECRETARY

Ms. Ng Hoi Ying

## AUTHORISED REPRESENTATIVES

Mr. Chan Lai Sin  
Ms. Ng Hoi Ying

## COMPLIANCE OFFICER

Mr. Chan Lai Sin

## COMPLIANCE ADVISER

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

## AUDITORS

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

## LEGAL ADVISER AS TO HONG KONG LAWS

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

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

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

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

Office H, 19/F, Phase 01  
Kings Wing Plaza  
3 On Kwan Street  
Shek Mun  
Sha Tin  
New Territories  
Hong Kong

## PRINCIPAL BANKS

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

## STOCK CODE

8455

## COMPANY'S WEBSITE

[www.dic.hk](http://www.dic.hk)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Group, present our annual report for the year ended 31 March 2020.

## REVIEW

The Group's revenue decreased by approximately 18.4% from approximately HK\$133.2 million for the year ended 31 March 2019 to approximately HK\$108.7 million for the year ended 31 March 2020.

The Group's gross profit decreased by approximately HK\$5.3 million, by 16.0%, from approximately HK\$33.3 million for the year ended 31 March 2019 to approximately HK\$28.0 million for the year ended 31 March 2020. Gross profit margin increased from approximately 25.0% for the year ended 2019 to approximately 25.7% for the reporting year.

During the year ended 31 March 2020, the Group recorded the loss attributable to owners of the Company of approximately HK\$3.7 million, representing an increase in loss as compared with approximately HK\$3.0 million for the year ended 31 March 2019. The increase in loss was mainly due to the decrease in revenue generated from both residential and commercial interior design and fit-out services.

## PROSPECT

With the optimistic prospect of the local interior design and fit-out services, it is expected to be mixed with opportunities and challenges for 2020-2021. According to the latest Long-Term Housing Strategy Annual Report (2018), the Hong Kong Government plans to adjust the ratio of public housing to private housing in the next 10 years, from 60/40 to 70/30. There are strong demands in the local public and private housing markets; the continued growth of housing units will result in higher customer value spending on residential interior design services.

Although the Group is encountering market uncertainties arising from trade war between the United States of America and China and the outbreak of novel coronavirus ("**COVID-19**"), it has strengthened its position in the interior design and fit-out services by reinforcing the brand promotion in the mainstream media and new media, which attracted a large number of new customers.

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

**Chan Lai Sin**

*Chairman and Executive Director*

Hong Kong  
22 June 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK\$108.7 million and HK\$133.2 million, of which approximately HK\$105.7 million and HK\$112.6 million, representing 97.3% and 84.5% of the Group's total revenue, were generated from residential interior design and fit-out services for the years ended 31 March 2020 and 2019, respectively. Approximately HK\$2.9 million and HK\$20.6 million, representing 2.7% and 15.5% of the Group's total revenue, were generated from commercial interior design and fit-out services for the years ended 31 March 2020 and 2019, respectively.

For the year ended 31 March 2020, the Group recorded a net loss of approximately HK\$3.8 million as compared with approximately HK\$2.9 million for the same period in 2019. The Directors are of the view that the Group's net loss was mainly attributable to the decrease in revenue generated from both residential and commercial interior design and fit-out services. In view of the steady revenue generated for year ended 31 March 2020 as compared to the same period in 2019 and the latest negotiations with existing and potential new customers, the Directors are of the view that there is no fundamental deterioration in the commercial and operational viability of the Group's business.

## OUTLOOK

Despite the recent social unrest, Hong Kong property prices continued to rise and residential properties still remain unaffordable. Property developers continue to build small residential units to compensate for the rise in prices to make smaller homes more affordable.

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

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue is primarily generated from the provision of interior design and fit-out services in Hong Kong which includes two main categories, namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. During the reporting year, the Group's revenue decreased by approximately 18.4% to approximately HK\$108.7 million (2019: HK\$133.2 million). Such decrease was mainly due to the decrease in revenue generated from both residential and commercial interior design and fit-out services.

Revenue by business nature	For the year ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Residential interior design and fit-out services	105,744	97.3	112,567	84.5
Commercial interior design and fit-out services	2,915	2.7	20,610	15.5
Total	108,659	100.0	133,177	100.0

# MANAGEMENT DISCUSSION AND ANALYSIS

## Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The table below sets forth a breakdown of components of direct costs for the years ended 31 March 2020 and 2019:

Components of direct costs	For the year ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Materials	17,843	22.1	17,421	17.4
Subcontracting charges	56,224	69.7	73,249	73.4
Staff costs	6,613	8.2	7,320	7.3
Warranty expenses	11	–	1,884	1.9
Total	80,691	100.0	99,874	100.0

The Group's direct costs decreased by approximately 19.2% from approximately HK\$99.9 million for the year ended 31 March 2019 to HK\$80.7 million for the year ended 31 March 2020. Such decrease was in line with the decrease in revenue.

## Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$5.3 million, or 16.0%, from approximately HK\$33.3 million for the year ended 31 March 2019 to approximately HK\$28.0 million for the year ended 31 March 2020. The Group's gross profit margin was approximately 25.7% for the year ended 31 March 2020, representing an increase of approximately 0.7 percentage points as compared to approximately 25.0% for the year ended 31 March 2019. The decrease in gross profit was mainly due to the decrease in revenue as mentioned above.

## Administrative and other operating expenses

The Group's administrative and other operating expenses for the year ended 31 March 2020 were approximately HK\$32.0 million, representing a decrease of approximately 12.1% from approximately HK\$36.4 million for the year ended 31 March 2019, primarily due to the decrease in administrative staff costs for the year ended 31 March 2020.

## Finance costs

Finance costs of the Group increased by approximately 137.2% from approximately HK\$78,000 for the year ended 31 March 2019 to approximately HK\$185,000 for the year ended 31 March 2020. The increase in finance costs was mainly attributable to the increase in interest on lease liabilities for the year ended 31 March 2020.

## Income tax expense/credit

The Group's income tax expense was approximately HK\$56,000 for the year ended 31 March 2020 compared to income tax credit of approximately HK\$127,000 for the year ended 31 March 2019. The income tax credit for the year ended 31 March 2019 was mainly derived from deferred tax credit arising from provision for warranties.

## Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 March 2020 amounted to approximately HK\$3.7 million, representing an increase in loss as compared with approximately HK\$3.0 million for the year ended 31 March 2019. It was mainly due to the decrease in revenue as mentioned above.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

### Business strategy as stated in the Prospectus

### Progress up to 31 March 2020

#### Expansion of market coverage in Hong Kong

- To acquire a new office in Tsuen Wan through mortgages, financing and the related fees due to the acquisition of the new office, fit-out and refurbishment costs and fit out new offices due to relocation on refurbish office design

In view of the market uncertainties arised from the trade war between United States of America and China and the outbreak of COVID-19 and the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business. Therefore, the Board has entered into a lease to serve as its Tsuen Wan branch upon the expiration of tenancy of the existing Tsuen Wan branch until a suitable property is located

- To acquire a new office in Quarry Bay through mortgage financing to serve customers of Hong Kong Eastern area and the related fees due to the acquisition of the new office, and the new office fit-out and refurbishment costs

In view of the market uncertainties arised from the trade war between United States of America and China and the outbreak of COVID-19 and the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business

#### Strengthen sales and marketing efforts

- To increase advertising frequency on traditional media such as weekly magazine and billboards
- To increase online advertisement
- To engage a celebrity to market and endorse the services of the Company

The Group has found suitable media channels for engaging in an informative advertising campaign

The Group has increased the frequency of online advertisement during the period

The Group has engaged a celebrity as the spokesperson of the Company

#### Recruiting high caliber talents and enhance internal training to support future growth

- To hire additional employees and talents
- To organise internal training and seminar
- To offer incentive bonus to employees

The Group has hired additional project supervisors, draftsman and designer assistants to facilitate the business development

The Group has provided internal training to existing and new hiring staff

Portion of proceeds were used for hiring additional employees and talents

#### Upgrade the information systems

- To pay the final stage payment for software development and upgrade office systems and design softwares

The Group is in the progress of developing online tracking system to monitor the project status

#### Development of fleet of vehicles

- To purchase a vehicles and pay the related fees due to the purchase of the vehicles

The Group has purchased three vehicles and paid the relevant fees



# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF NET PROCEEDS FROM LISTING

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

The below table sets out the proposed applications of the net proceeds from the Listing Date to 31 March 2020:

	Planned use of proceeds from Listing Date to 31 March 2020 HK\$ million	Actual use of proceeds from Listing Date to 31 March 2020 HK\$ million	Unutilised proceeds from Listing Date to 31 March 2020 HK\$ million
Expansion of market coverage in Hong Kong	19.8	–	19.8
Strengthen sales and marketing efforts	4.0	4.0	–
Recruiting high caliber talent and enhance internal training to support future growth	4.7	4.7	–
Upgrading information systems	1.9	0.1	1.8
Development of fleet of vehicles	2.6	1.5	1.1
General working capital	1.8	1.8	–
Total	34.8	12.1	22.7

For the expansion of market coverage in Hong Kong, the Company has yet to identify a suitable location that is worth acquiring in light of the continuously high property prices and potential downturn risk. Compounding the risky situations are the trade war between the United States of America and China and the outbreak of COVID-19 that have created even more market uncertainties. In any event, the Company is still on the lookout for suitable locations to purchase over the next 12 months and hopefully could utilise the remaining proceeds of approximately HK\$19.8 million to acquire locations during the financial year ending 31 March 2021.

For upgrading information systems, the Company has identified a suitable information system vendor and is currently in the progress of negotiation of a satisfactory proposal to the needs of the Company. Therefore, the Company expects to utilise this unused portion of the proceeds of approximately HK\$1.8 million during the year ending 31 March 2021 to meet their goals of an upgraded information system.

As at 31 March 2020, the unutilised use of proceeds of approximately HK\$22.7 million has been placed as deposits into licensed banks in Hong Kong and will be expected to be used according to the intentions previously disclosed in the Prospectus. Such amounts are expected to be fully utilised by 31 March 2021.

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

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the Listing Date and up to date of this report. The capital of the Group only comprises of ordinary shares.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2020, the Group had total debts, comprising lease liabilities and finance lease liabilities, of approximately HK\$2.0 million which was denominated in Hong Kong Dollars (2019: approximately HK\$1.4 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 31 March 2020, the Group had approximately HK\$41.7 million in cash and bank balance (2019: approximately HK\$53.1 million). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

## GEARING RATIO

As at 31 March 2020, the gearing ratio of the Group was approximately 4.6% (2019: approximately 2.9%). Gearing ratio is calculated as total interest-bearing liabilities and lease liabilities divided by total capital. Total interest-bearing liabilities is calculated as finance lease liabilities. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

## CHARGE ON GROUP ASSETS

As at 31 March 2020, the Group has pledged its motor vehicle with net book value amounted to approximately HK\$0.7 million (2019: approximately HK\$1.6 million), under finance lease agreements.

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

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 March 2020. There was no other plan for material investments or capital assets as at 31 March 2020.

## FOREIGN EXCHANGE EXPOSURE

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

## TREASURY POLICIES

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 (2019: Nil).

## COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2020 (2019: Nil).

## SEGMENT INFORMATION

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

## FINAL DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 March 2020 (2019: Nil).

## INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group had 38 employees working in Hong Kong (2019: 51). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2020 amounted to approximately HK\$15.5 million (2019: approximately HK\$17.5 million).

## PRINCIPAL RISKS AND UNCERTAINTIES

### Interest rate risk

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

### Credit risk

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity risk

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programmes related to wastewater discharge management, noise control, resources and energy use control, environmental protection enhancement and sustainable development, internal environmental examination and evaluation, environmental emergency response and impact control. The Group also commits to the principle and practice of recycling and reducing. To protect the environment, the Group implements green office practices such as re-deployment of office furniture as far as possible, to encourage use of recycled paper for printing and copying, double-sided printing and copying, to reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances. The Group's operations were in compliance in all material respects with current applicable environmental protection laws and regulations in the Hong Kong during the year ended 31 March 2020.

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

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 March 2020, there was no significant dispute between the Group and its suppliers, customers and/or stakeholders.

## EVENTS AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak 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 will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

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

## REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 April 2019 to 31 March 2020 (the **“Reporting Period”**). The Group is going to release the ESG Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

## REPORTING SCOPE

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

## REPORTING STANDARDS

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

## STAKEHOLDER ENGAGEMENT

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

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group’s business. The Group’s stakeholders include shareholders and investors, clients, employees, sub-contractors, suppliers and the Government. In the past year, the Group communicated with the key stakeholders through a variety of methods. While preparing the ESG Report, the Group commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this ESG Report and these will in turn guide the formulation of the Group’s sustainability roadmap.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Stakeholder engagement

Stakeholders	Interests and concerns	Engagement channels
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Corporate strategy and governance</li> <li>Risk mitigation and management</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Interim and annual reports, corporate websites</li> <li>Announcements, notices of meetings, circulars</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>Robust project management</li> <li>Full compliance with regulations</li> <li>Sustainability performance of operations</li> </ul>	<ul style="list-style-type: none"> <li>Interim and annual reports, corporate websites</li> <li>Regular meetings and communication</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Compensation and benefits</li> <li>Occupational health and safety</li> <li>Career development opportunities</li> <li>Corporate culture and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>Provide leisure activities and increase cohesion</li> <li>In-house training programmes</li> <li>Performance reviews and appraisals</li> <li>Promote career development and enhance competence at all levels</li> </ul>
<b>Sub-contractors</b>	<ul style="list-style-type: none"> <li>Effective project management</li> <li>Occupational health and safety</li> <li>Ethical business practices</li> <li>Sub-contractors assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>Annual Health, Safety and Environment seminars</li> <li>Training sessions</li> <li>Regular progress meetings</li> <li>Audits and assessments</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Long-term partnership</li> <li>Ethical business practices</li> <li>Supplier assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>Procurement processes</li> <li>Audits and assessments</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>Laws and regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Review latest laws and regularly inspection</li> </ul>

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

## ENVIRONMENTAL PROTECTION

### Emissions

#### *Emissions from the course of operations*

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Emissions from vehicle usage*

During the operation, the usage of private cars and light goods vehicles generate the emissions of nitrogen oxides (“**NO<sub>x</sub>**”), sulphur oxides (“**SO<sub>x</sub>**”) and Particulate Matter (“**PM**”). The approximate amount of NO<sub>x</sub>, SO<sub>x</sub> and PM produced from the operation in Hong Kong is shown in the table below:

### **Air pollutants from vehicle usage**

<b>Types of air emissions</b>	<b>2020</b>	<b>2019</b>
NO <sub>x</sub> emissions (tonnes)	0.05	0.07
SO <sub>x</sub> emissions (tonnes)	0.0002	0.0003
PM emissions (tonnes)	0.003	0.005

Generally, the volume of air emission in FY2020 remains at a reasonably low level, similar to the volume incurred in last financial year.

In respect of reducing the NO<sub>x</sub>, SO<sub>x</sub> and PM emissions, the Group is committed to reducing and ensuring the efficient usage of private cars and light goods vehicles. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) avoid peak hour traffic; ii) encourage the use of public transport; and iii) utilize the vehicle usage by car pooling with different staff.

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

## ***Greenhouse Gas (“GHG”) Emissions***

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Scope 1 – Direct emissions

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

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

## Scope 2 – Energy indirect emissions

Apart from the direct emissions of PM and fumes, the Group also incurred indirect GHG emissions – Scope 2, principally resulting from electricity consumed at the rented headquarter and branches.

The electricity consumption for FY2020 has increased slightly. A sense of urgency in minimising the use of electricity has been developed in the Group's culture through the staff training. More progress is anticipated to be made in the coming years.

## Scope 3 – Other indirect emissions

Other indirect GHG emissions of the Group are principally generated from the electricity used for fresh water processing and sewage processing by Water Services Department.

Summary of GHG emissions

Types of GHG	2020 CO <sub>2</sub> equivalent emission	2019 CO <sub>2</sub> equivalent emission
Scope 1 – Direct emissions (tonnes)	43.86	53.33
Scope 2 – Energy indirect emissions (tonnes)	95.51	87.88
Scope 3 – Other indirect emissions (tonnes)	0.22	0.36
Total	139.59	141.57

## Hazardous waste and non-hazardous waste emissions

Due to the business nature, the Group's operations do not directly generate any hazardous waste. For the provision of fit-out services, the Group has produced non-hazardous waste during the operations. The emissions figures are as follows:

### Non-hazardous waste emissions in the Reporting Period

Non-hazardous waste	2020		2019	
	Volume	Intensity per no. of projects	Volume	Intensity per no. of projects
Mixed C & D waste (tonnes)	125	0.25	110	0.21

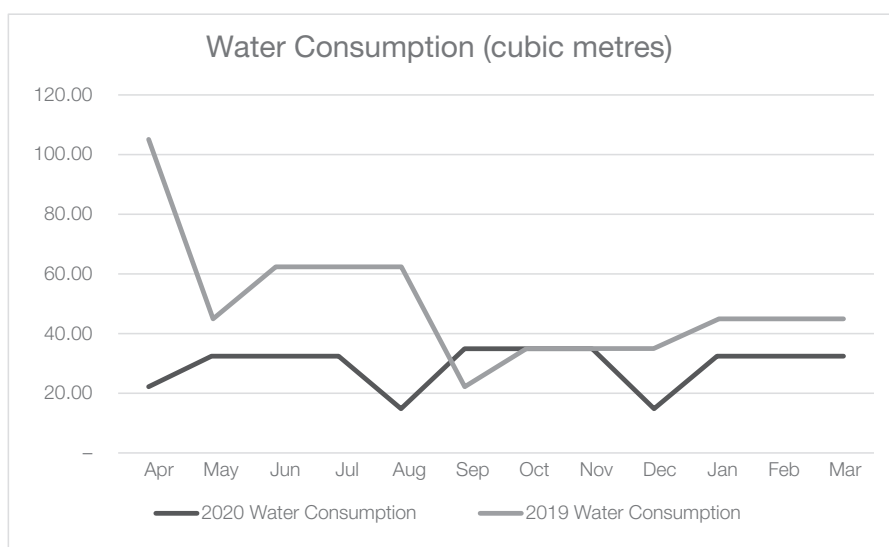
According to the figures above, the emissions for mixed C & D waste in FY2020 has remained at a reasonably low level which is similar to last financial year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Use of Resources

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

From the graph below, it shows the monthly water consumption in cubic metres of the Group during the Reporting Period:



The total water consumption in cubic metres and intensity are shown in the table below:

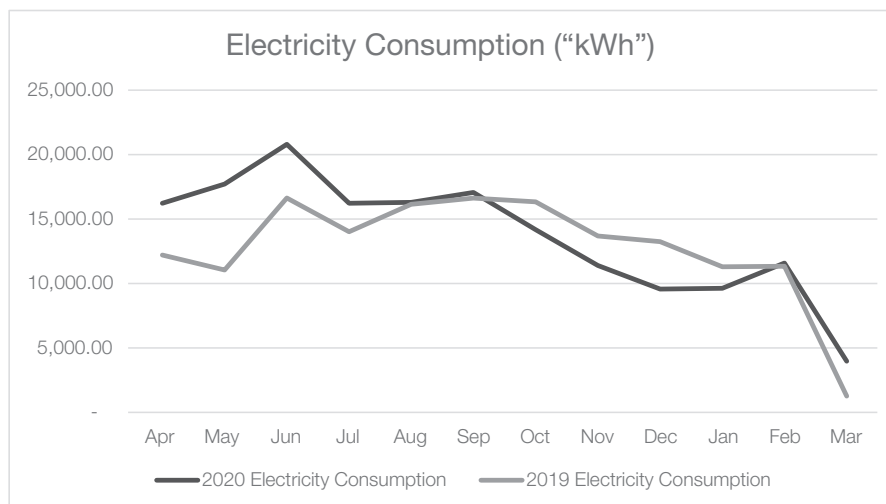
Water consumption	2020	2019
Total water consumption (cubic metres)	352	600
Intensity of total water consumption per no. of projects (cubic metres)	0.7	1

The water consumption in FY2020 has dropped comparing to FY2019 since there are less project site metres are borne by the Group during the Reporting Period. The Group will continue to monitor the figures closely and prevent any unnecessary water usage.

The Group is determined to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows users to set at a comfortable temperature and avoid power waste. Traditional fluorescent tubes have been replaced with energy efficient LED light strips to save power. The Group targets to remain the tight control on it so as to achieve sustainable development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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



The total electricity consumption in kWh and the intensity are shown in the table below:

<b>Electricity consumption</b>	<b>2020</b>	<b>2019</b>
Total electricity consumption (kWh)	163,810	153,032
Intensity of total electricity consumption per no. of projects (kWh)	328.94	295.42

The electricity consumption in FY2020 has increased for approximately 7%, comparing to last financial year. The reason is that more projects are at the execution stage despite the fact that the total number of projects during the Reporting Period are less than last financial year. In general, the level of electricity consumption still remains at a reasonably low level and the Group will keep on monitor the electricity consumption level strictly next year.

## The Environment and Natural Resources

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PEOPLE

### Employment

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

As the Group is principally engaged in construction work in Hong Kong, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is approximately 2.2: 1 (2019: 2.7: 1). However, the Group treats all employees equally. The Group prohibits any form of harassment or discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. The above measures have helped to ensure that every employee is treated equally and fairly.

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

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

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

### Employment KPIs (Employee)

#### *Total workforce structure as at 31 March 2020*

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	2020	2019
						Ratio of number of male to female employees	Ratio of number of male to female employees
Male	11	7	6	24	35	2.2: 1	2.7: 1
Female	8	2	1	11			
Total	19	9	7	35			

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Employee turnover in the Reporting Period

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	2020 Ratio of employee turnover to total number of employees	2019 Ratio of employee turnover to total number of employees
Male	8	6	1	15	18	51%	2%
Female	3	–	–	3			
Total	11	6	1	18			

## Health and Safety

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

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

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

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

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

Due to the outbreak of COVID-19, the Group has also implemented various measures such as requiring staff to complete daily health declaration in order to prevent the spread of virus.

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

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of work accidents and injuries during the Reporting Period was nil (2019: nil).

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Health and safety KPI (Employee)

	2020	2019
Number of work injuries	-	-
Rate of work injuries (per thousand employees)	-	-

## Development and Trainings

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

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

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

## Training and Development KPI (Employee)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	2020 Overall percentage of employees receiving training	2019 Overall percentage of employees receiving training
Male	0	56%	31%	36%	36%	66%
Female	0	100%	31%	36%		
Total	0	60%	31%			

Average training hours	Senior managerial level	Managerial level	General staff	Average training hours by gender	2020 Overall average training hour	2019 Overall average training hour
Male	0 hour	24.0 hours	13.3 hours	17.1 hours	16.8 hours	11.1 hours
Female	0 hour	32.0 hours	12.0 hours	16.0 hours		

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Labour Standards

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

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

## Supply Chain Management

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

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

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

## Product Responsibility

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

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

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

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

## **Anti-corruption**

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

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

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

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

## **Community Investment**

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

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Environmental Performance Indicators

### Aspect A1: Emissions

Performance indicator		2020 Data	2019 Data	HKEx ESG Reporting Guide KPI
<b>Emissions</b>	Total nitrogen oxides (NO <sub>x</sub> ) emissions (tonnes)	0.05	0.07	KPI A1.1
	Total sulphur oxides (SO <sub>x</sub> ) emissions (tonnes)	0.0002	0.0003	KPI A1.1
	Total Particulate matter (PM) generated (tonnes)	0.003	0.005	KPI A1.1
	Total GHGs emissions (tonnes)	139.59	141.57	KPI A1.2
<b>Non-hazardous waste</b>	Mixed C & D waste (tonnes)	125	110	KPI A1.4

### Aspect A2: Use of resources

Performance indicator		2020 Data	2019 Data	HKEx ESG Reporting Guide KPI
<b>Electricity</b>	Total electricity consumption (kWh)	163,810	153,032	KPI A2.1
	<b>Water</b>	Total water consumption (cubic metres)	352	600

## Social Performance Indicators

### Aspect B1: Employees

Performance indicator		2020 Data	2019 Data	HKEx ESG Reporting Guide KPI
<b>Number of employees</b>	Gender:			KPI B1.1
	– Male	24	32	
	– Female	11	12	
	Age			KPI B1.1
	– Below 30 years old	19	23	
	– Between 30 to 50 years old	9	13	
	– Over 50 years old	7	8	
<b>Employee turnover</b>	Gender			KPI B1.2
	– Male	15	–	
	– Female	3	1	
	Age			KPI B1.2
	– Below 30 years old	11	1	
	– Between 30 to 50 years old	6	–	
	– Over 50 years old	1	–	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Aspect B2: Health and safety

Performance indicator	2020 Data	2019 Data	HKEx ESG Reporting Guide KPI
Number of work injuries (per person)	–	–	KPI B2.1
Rate of work injury (per thousand employees)	–	–	KPI B2.1

## Aspect B3: Development and training

Performance indicator	2020 Data	2019 Data	HKEx ESG Reporting Guide KPI
<b>The percentage of employees trained</b>	Percentage of employees receiving training by gender		KPI B3.1
	– Male	72%	
	– Female	50%	
<b>Average training hours completed per employee</b>	Average training hours by gender		KPI B3.2
	– Male (hours)	10.1	
	– Female (hours)	13.7	

# BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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

## EXECUTIVE DIRECTORS

**Mr. Chan Lai Sin (陳禮善) (“Mr. Chan”)**, aged 55, is the founder of the Group. He is responsible for the overall strategic management and development of the Group’s business operations. Mr. Chan was appointed to the Board and designated as an executive Director and the Chairman of the Company on 6 May 2016.

Mr. Chan has over 22 years of experience in the interior design and furnishing industry. Prior to founding the Group, Mr. Chan began working as a clerk in MTR Corporation Limited from August 1981 to October 1982 and later joined the Hong Kong Police Force (formerly the Royal Hong Kong Police Force) as a policeman from June 1983 to November 1987. Mr. Chan joined Bellok Company Limited (also known as Chung Ngai Furniture Factory (中藝傢俬廠)) as a sales representative in May 1988 and left in July 1996 with his last position held as sales manager. He later founded the Group in August 1996.

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

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

**Ms. Wan Pui Chi (溫佩芝) (“Ms. Wan”)**, aged 37, was appointed as an executive Director on 20 September 2019. Ms. Wan is responsible for the day-to-day management and operation of the Group and is mainly in charge of human resources of the Group, namely the coordination and management of employees, maximising employee performance through the supervision of internal business operations and dealing with employee performance issues, and recruiting and training interior design and fit-out talent to support the development of the Group.

Ms. Wan has over 14 years of experience in administrative related matters. She joined the Group in October 2004 as administrative officer and was later promoted to administrative manager and human resources manager in January 2009 and March 2017 respectively. She was primarily responsible for human resources management including but not limited to recruitment, selection, interviewing process and execution of human resources policies.

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

Ms. Wan is the spouse of Mr. Siu Ka Sing (蕭嘉星), the chief executive officer of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Kwan Ngai Kit (關毅傑) (“Mr. Kwan”)**, aged 40, was appointed as the independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company on 24 March 2017. Mr. Kwan is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis.

Mr. Kwan has been the chief financial officer and the company secretary of Modern Dental Group Limited (stock code: 3600) since October 2016, and is responsible for matters relating to corporate finance, mergers and acquisitions, finance and accounting management, investors relations as well as corporate governance. He has been appointed as an independent non-executive Director of Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601) since June 2016, Leyou Technologies Holdings Limited (stock code: 1089) since September 2017 and A & S Group (Holdings) Limited (stock code: 1737) since February 2018.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwan has over 12 years of experience in auditing, accounting and corporate management. Prior to March 2014, he was employed by Ernst & Young worked with his last position held as senior manager in the assurance department and the professional practice department.

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

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

**Ms. Lui Lai Chun (呂麗珍) (“Ms. Lui”)**, aged 37, was appointed as the independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company on 24 March 2017. Ms. Lui is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group and reviewing the financial information of the Group on a regular basis.

Ms. Lui worked for Katon CPA Limited as an audit assistant from October 2006 to February 2008. She was employed by HLB Hodgson Impey Cheng Limited in March 2008 and worked until June 2011 with her last position held as senior accountant. She also worked for Real Gold Mining Limited (formerly a company listed on the Main Board of the Stock Exchange (Stock Code: 246) until April 2020) from October 2011 to March 2020 with her last position held as company secretary and accounting manager.

Ms. Lui obtained a bachelor degree of commerce in accountancy and applied finance from Griffith University, Australia in September 2005 and a master’s degree in corporate governance from The Hong Kong Polytechnic University in September 2019. She has been a member of Certified Public Accountants of Australia since February 2014, a member of The Hong Kong Institute of Certified Public Accountants since March 2015 and a member of The Hong Kong Institute of Chartered Secretaries since November 2019.

**Mr. Wu Loong Cheong Paul (吳龍昌) (“Mr. Wu”)**, aged 56, was appointed as the independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company on 24 March 2017. Mr. Wu is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis.

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

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

# BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Siu Ka Sing (蕭嘉星) (“Mr. Siu”)**, aged 39, was appointed as chief executive officer of the Company in 24 March 2017. Mr. Siu initially joined the Group as an account officer in May 2004 and was promoted to administrative manager in January 2009. Mr. Siu is responsible for overseeing general operations and devising business strategies.

Mr. Siu has over 15 years of experience in administrative related matters. Before joining the Group, Mr. Siu had worked in Great Expect Development Limited as an accounting clerk from April 2002 to May 2004.

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

Mr. Siu is the spouse of Ms. Wan, the executive Director.

**Mr. Tang Fok Bor (鄧福波) (“Mr. Tang”)**, aged 56, was appointed as engineering manager of the Group in 24 March 2017. Mr. Tang is primarily responsible for overseeing the engineering works of the projects. Mr. Tang joined the Group as a painting worker in October 2002 and was later promoted to project manager in April 2010.

Mr. Tang has over 37 years of experience in overseeing engineering works. Prior to joining the Group, he had worked as project manager in Hongyun Construction Engineering Company (鴻運建築工程) from 1981 to 1984 and Yaorong Construction Engineering Company (耀榮建築工程) from 1984 to 1986. He joined Xingyun Construction Engineering Company (星運建築工程) as project manager in 1986 and later joined Dawei Decoration Engineering Limited (大衛裝飾工程) as project manager in 2002.

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

## COMPANY SECRETARY

**Ms. Ng Hoi Ying (吳愷盈) (“Ms. Ng”)**, aged 33, was appointed as the company secretary of the Company on 1 March 2019. She obtained a degree of Bachelor of Business Administration in Accountancy from The Hong Kong Polytechnic University in 2008. She is currently a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ng has over 11 years of experience in auditing, accounting and financial reporting. She worked as a senior auditor of Deloitte Touche Tohmatsu. Subsequently Ms. Ng worked as senior accountant in Asia Maritime Pacific (Hong Kong) Limited, a private company engaged in fleet operation of both owned and chartered-in Handy-size and mini-MPP vessels, which operate internationally in China, West Africa, Australia, South America and intra-Asia. She was the finance manager of Ngai Shun Construction & Drilling Company Limited which is a piling contractor for both private and public works in Hong Kong. Its holding company (Boill Healthcare Holdings Limited, formerly known as Ngai Shun Holdings Limited) has been listed on the Main Board of the Stock Exchange (stock code: 1246) in October 2013. Ms. Ng is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

# DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, whom provides the Group's customers with creative and innovative designs that synergise with the latest market and design trends, to high quality fittings and furnishings and the implementation of the Group's designs performed by the subcontractors that the Group relies on to complete the projects. Details of the principal activities of the principal subsidiaries of the Company are set out in note 12 to the consolidated financial statements.

## FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 47 of the annual report.

## DIVIDEND POLICY

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

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.



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

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

## RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 March 2020 are set out in the consolidated financial statements from pages 52 to 104 of this report. The Directors do not recommend the payment of final dividend for the year ended 31 March 2020.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 26 August 2020 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 21 August 2020 to Wednesday, 26 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, at Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 August 2020.

## BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2020 and a discussion of the Group's future business development and a description of principal risks and uncertainties facing the Company are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the year ended 31 March 2020 using financial key performance indicators is set out in the Group's five-year Financial Summary on page 47 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2020 are set out in note 13 to the consolidated financial statements.

## DONATION

Charitable donations made by the Group during the year ended 31 March 2020 amounted to approximately HK\$115,700 (2019: HK\$230,400).

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolution of the sole shareholder of the Company passed on 24 March 2017.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, the shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 80,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 80,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the shareholders containing the information as required under the GEM Listing Rules in this regard.

The Company may seek separate approval of the shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

The aggregate number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The Share Option Scheme is valid and effective for a period of ten years from 24 March 2017, after which no further options will be granted or offered.

Save as disclosed in note 27 to the consolidated financial statements, for the year ended 31 March 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

## PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2020.

## PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 March 2020 and as at the latest practicable date prior to the issue of this report, the Company maintained sufficient public float of 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2020 are set out in note 37(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 55.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders comprised contribution surplus and retained profit, if any. The Company had no reserves available for distribution as at 31 March 2020.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, revenue to the Group's five largest customers accounted for approximately 11.0% of the total revenue for the year and revenue to the largest customer included therein amounted to approximately 2.9%. Subcontracting charges and materials costs incurred from the Group's five largest subcontractors and suppliers accounted for approximately 49.9% of the total sub-contracting charges and material costs for the year and the subcontracting charges and materials costs incurred from the largest subcontractor included therein amounted to approximately 19.2%.

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

# DIRECTORS' REPORT

## DIRECTORS

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

### Executive Directors

Mr. Chan Lai Sin (*Chairman*)

Mr. Hung Lap Ka (resigned on 9 September 2019)

Ms. Wan Pui Chi (appointed on 20 September 2019)

### Independent Non-Executive Directors

Mr. Kwan Ngai Kit

Ms. Lui Lai Chun

Mr. Wu Loong Cheong Paul

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

Pursuant to articles 111 and 112 of the Company's memorandum and articles of association, Ms. Wan, Mr. Kwan and Ms. Lui will retire at the forthcoming annual general meeting and, all being eligible, will offer themselves for re-election at the said meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 25 to 27 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

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

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year ended 31 March 2020.

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 31 March 2020 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2020, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

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

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

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

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executives of the Company, as at 31 March 2020, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

# DIRECTORS' REPORT

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

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

Note: Ms. Wong Ting Nuen ("**Ms. Wong**") is the spouse of Mr. Chan. Ms. Wong is deemed, or taken to be, interested in the same number of shares in which Mr. Chan is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to rate in all circumstances at general meeting of the Company or any other member of the Group.

## PERMITTED INDEMNITY PROVISION

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

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 March 2020.

### Non-Competition Undertaking

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

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

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

During the year ended 31 March 2020, the Company had not received any information in writing from any of the controlling shareholders namely, Mr. Chan and Chun Wah (the “**Controlling Shareholders**”) in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2020 falls within the following band:

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

## EMOLUMENT POLICY

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

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

## RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2020 are set out in notes 3 and 28 to the consolidated financial statements.

## DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 33 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.



# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

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

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in note 33 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules. Save as disclosed in this report, there was no other transaction which would need to be disclosed as connected transactions in compliance with the disclosure requirements in Chapter 20 of the GEM Listing Rules.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance as a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group’s corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 37 to 46 of this annual report.

## INTERESTS OF THE COMPLIANCE ADVISER

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## INDEPENDENT AUDITORS

The consolidated financial statements of the Company for the year ended 31 March 2020 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company. The Company has not changed its external auditors in any of the preceding three years.

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

Hong Kong  
22 June 2020



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Code of Conduct**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the year.

## DIRECTORS' RESPONSIBILITIES

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

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

## DELEGATION BY THE BOARD

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

### Board Composition

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

#### Executive Directors

Mr. Chan Lai Sin (*Chairman*)  
Ms. Wan Pui Chi

#### Independent non-executive Directors

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

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 25 to 27 of this annual report.

# CORPORATE GOVERNANCE REPORT

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 6 May 2016 and the Company signed letters of appointment with each of the independent non-executive Directors on 24 March 2017. Ms. Wan, the executive Director, has entered into a service contract with the Company on 20 September 2019. The service contract with Mr. Chan, the executive Director, and the letters of appointment with independent non-executive Directors were already renewed and signed on 1 April 2020.

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

According to the article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Articles 111 and 112 of the Company's memorandum and articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Accordingly, each of Ms. Wan, Mr. Kwan and Ms. Lui will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 26 August 2020. Ms. Wan, Mr. Kwan and Ms. Lui will offer themselves for re-election.

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

# CORPORATE GOVERNANCE REPORT

## TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and were renewed and commenced on 12 April 2020, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the memorandum and the articles of association of the Company.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2020, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

## BOARD COMMITTEES

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

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

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

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

## REMUNERATION COMMITTEE

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

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2020. No Director or any of his or her associates is involved in deciding his or her own remuneration.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

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

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

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

## NOMINATION POLICY

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

### Summary of the Nomination Policy

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

### Measurable Objectives

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

- (a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- (b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;
- (c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;
- (d) Independence;
- (e) Reputation for integrity;
- (f) Potential contributions that the individual(s) can bring to the Board; and
- (g) Commitment to enhance and maximize shareholders' value.

## Re-election of Director at General Meeting

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

- (a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and
- (b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

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

## Nomination Process

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

- (a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- (c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

## Monitoring and Reporting

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

## Review of Nomination Policy

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

# CORPORATE GOVERNANCE REPORT

## Disclosure of Nomination Policy

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

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

## AUDIT COMMITTEE

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

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

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

During the year ended 31 March 2020, the Audit Committee, held five meetings to review and comment on the Company's 2019 annual results, 2019 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2020 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE RECORDS OF MEETINGS

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

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

	<b>Board Meeting</b>	<b>Audit Committee Meeting</b>	<b>Remuneration Committee Meeting</b>	<b>Nomination Committee Meeting</b>	<b>2019 Annual General Meeting</b>
<b>Number of Meetings Attended/Held</b>					
<b>Executive Directors</b>					
Mr. Chan Lai Sin	6/6		2/2	2/2	1/1
Mr. Hung Lap Ka (Note 1)	3/6				1/1
Ms. Wan Pui Chi (Note 2)	2/6				–
<b>Independent non-executive Directors</b>					
Mr. Kwan Ngai Kit	6/6	5/5	2/2	2/2	1/1
Ms. Lui Lai Chun	6/6	5/5	2/2	2/2	1/1
Mr. Wu Loong Cheong Paul	6/6	5/5	2/2	2/2	1/1

Note 1: Mr. Hung Lap Ka resigned as an executive Director on 12 September 2019.

Note 2: Ms. Wan was appointed as an executive Director on 20 September 2019.

## COMPANY SECRETARY

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

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

During the year ended 31 March 2020, Ms. Ng that she had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules. The biographies of Ms. Ng is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

## BOARD DIVERSITY POLICY

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

# CORPORATE GOVERNANCE REPORT

## Summary of the Board Diversity Policy

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

## Measurable Objectives

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

## Monitoring and Reporting

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

## INDEPENDENT AUDITORS' REMUNERATION

The Company has engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2020 until the conclusion of the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 March 2020, the fee paid/payable to HLB Hodgson Impey Cheng Limited in respect of its services relating to the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2020 was approximately HK\$480,000 (2019: HK\$600,000). HLB Hodgson Impey Cheng Limited did not perform any non-audit services during the year ended 31 March 2020.

## SHAREHOLDERS' RIGHT

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

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

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



# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROLS AND RISK ASSESSMENT

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

Aiming to provide reasonable assurance against material errors, losses or fraud, the Company has established a set of risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk mitigation: Develop effective control activities to mitigate the risks.

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

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

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

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2020 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2020 as required under Code Provision C.2.5. The Audit Committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the consolidated financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The audit committee and the Board will continue to review the need for an internal audit function on an annual basis.

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

## DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

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

# CORPORATE GOVERNANCE REPORT

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and the Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- Controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public; and
- Procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

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

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

- (i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.dic.hk](http://www.dic.hk);
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

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

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

## SUMMARY OF FINANCIAL INFORMATION

	<b>2020</b> <b>HK\$'000</b>	<b>For the year ended 31 March</b>			2016 HK\$'000
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	
Revenue	<b>108,659</b>	133,177	121,840	131,637	118,348
Gross Profit	<b>27,968</b>	33,303	31,987	36,770	35,142
(Loss)/profit before income tax	<b>(3,765)</b>	(2,992)	488	5,315	11,575
(Loss)/profit and total comprehensive (expense)/income for the year	<b>(3,821)</b>	(2,865)	315	2,994	9,192

	<b>2020</b> <b>HK\$'000</b>	<b>As at 31 March</b>			2016 HK\$'000
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	
Total assets	<b>65,796</b>	77,884	72,918	37,831	36,453
Total liabilities	<b>21,590</b>	29,857	21,987	33,634	19,250
Total equity and liabilities	<b>65,796</b>	77,884	72,918	37,831	36,453

# INDEPENDENT AUDITORS' REPORT



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

## TO THE SHAREHOLDERS OF LAI GROUP HOLDING COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Lai Group Holding Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 52 to 104, 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 consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

# INDEPENDENT AUDITORS' 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### ***Recognition of revenue and costs from construction contracts and contract assets***

Refer to details in Notes 5 and 16 and the accounting policies in Note 3 to the consolidated financial statements.

We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.

Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included:

- Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management.
- Obtaining an understanding from management about how the budgets were prepared and respective progress towards completion of construction works were determined.
- Evaluating the reasonableness of progress towards completion of construction works by obtaining and reviewing invoices issued by suppliers and subcontractors.
- Testing the actual costs incurred on construction works.
- Assessing the reliability of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis.
- Assessing the appropriateness and accuracy of the disclosures made in the consolidated financial statements.

## OTHER INFORMATION

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

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

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

# INDEPENDENT AUDITORS' REPORT

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

# INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

### **Chan Ching Pang**

Practising Certificate Number: P05746

Hong Kong, 22 June 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	5	108,659	133,177
Direct costs		(80,691)	(99,874)
Gross profit		27,968	33,303
Other income and gain	5	460	214
Administrative and other operating expenses		(32,008)	(36,431)
Operating loss	6	(3,580)	(2,914)
Finance costs	7	(185)	(78)
Loss before income tax		(3,765)	(2,992)
Income tax (expense)/credit	8	(56)	127
<b>Loss and total comprehensive expense for the year</b>		<b>(3,821)</b>	<b>(2,865)</b>
<b>Loss and total comprehensive (expense)/income for the year attributable to:</b>			
Owners of the Company		(3,747)	(2,990)
Non-controlling interests		(74)	125
		<b>(3,821)</b>	<b>(2,865)</b>
<b>Loss per share attributable to owners of the Company</b>			
– Basic and diluted loss per share (HK cent)	11	(0.47)	(0.37)

Details of dividends are disclosed in Note 10 to the consolidated financial statements.

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	10,644	12,748
Right-of-use assets	14	2,083	–
Deferred tax assets	15	142	232
		<b>12,869</b>	<b>12,980</b>
<b>Current assets</b>			
Contract assets	16	431	568
Trade and other receivables	17	8,553	8,985
Amounts due from related companies	18	20	–
Amount due from a director	19	–	96
Current income tax recoverable		2,185	2,149
Cash and bank balances	20	41,738	53,106
		<b>52,927</b>	<b>64,904</b>
<b>Total assets</b>		<b>65,796</b>	<b>77,884</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	21	8,000	8,000
Reserves	22	35,559	39,306
Equity attributable to:			
Owners of the Company		43,559	47,306
Non-controlling interests		647	721
<b>Total equity</b>		<b>44,206</b>	<b>48,027</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Contract liabilities	16	13,060	17,940
Trade and other payables	23	5,636	9,154
Amount due to a related company	18	8	8
Amount due to a director	19	119	–
Provision for warranties	24	611	1,229
Finance lease liabilities	25	–	596
Lease liabilities	26	1,452	–
		<b>20,886</b>	<b>28,927</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current liabilities</b>			
Finance lease liabilities	25	–	775
Lease liabilities	26	580	–
Deferred tax liabilities	15	124	155
		704	930
<b>Total liabilities</b>		21,590	29,857
<b>Total equity and liabilities</b>		65,796	77,884
<b>Net current assets</b>		32,041	35,977
<b>Total assets less current liabilities</b>		44,910	48,957

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 June 2020 and are signed on its behalf by:

**Mr. Chan Lai Sin**  
*Director*

**Ms. Wan Pui Chi**  
*Director*

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company				Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 21)	Share premium HK\$'000 (Note 22)	Other reserve HK\$'000 (Note 22)	Retained earnings/ (accumulated loss) HK\$'000			
Balance as at 1 April 2018	8,000	44,419	(5,899)	3,776	50,296	596	50,892
Loss and total comprehensive expense for the year	-	-	-	(2,990)	(2,990)	125	(2,865)
Balance as at 31 March 2019 and 1 April 2019	<b>8,000</b>	<b>44,419</b>	<b>(5,899)</b>	<b>786</b>	<b>47,306</b>	<b>721</b>	<b>48,027</b>
Loss and total comprehensive expense for the year	-	-	-	(3,747)	(3,747)	(74)	(3,821)
Balance as at 31 March 2020	<b>8,000</b>	<b>44,419</b>	<b>(5,899)</b>	<b>(2,961)</b>	<b>43,559</b>	<b>647</b>	<b>44,206</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(3,765)	(2,992)
Adjustments for:			
Depreciation of property, plant and equipment		858	1,374
Depreciation of right-of-use assets		2,294	–
Interest expense		185	78
Gain on disposal of property, plant and equipment		(125)	–
Net impairment losses on financial assets and contract assets		72	128
Provision for warranties		611	1,766
Reversal of unutilised warranties		(600)	(250)
Interest income		(118)	(118)
Operating cash flows before movements in working capital		(588)	(14)
Decrease in contract assets		136	241
Decrease/(increase) in trade and other receivables		361	(1,691)
Increase in amounts due from related companies		(20)	–
Decrease in amount due from a director		96	1,029
(Decrease)/increase in contract liabilities		(4,880)	6,774
(Decrease)/increase in trade and other payables		(3,518)	321
Increase in amount due to a director		119	–
Decrease in provision for warranties		(629)	(824)
Cash (used in)/generated from operations		(8,923)	5,836
Interest received		118	118
Tax paid		(57)	(578)
Tax refunded		24	47
<b>Net cash (used in)/from operating activities</b>		<b>(8,838)</b>	<b>5,423</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		–	(322)
Proceeds from disposal of property, plant and equipment		306	–
<b>Net cash from/(used in) investing activities</b>		<b>306</b>	<b>(322)</b>
<b>Cash flows from financing activities</b>			
Interest paid		–	(78)
Repayment of finance lease liabilities		–	(595)
Repayment of lease liabilities		(2,836)	–
<b>Net cash used in financing activities</b>		<b>(2,836)</b>	<b>(673)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(11,368)</b>	<b>4,428</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>53,106</b>	<b>48,678</b>
<b>Cash and cash equivalents at end of year</b>	20	<b>41,738</b>	<b>53,106</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Lai Group Holding Company Limited (the “**Company**”) is a public exempted company with limited liability incorporated in Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent and ultimate holding company is Chun Wah Limited (“**Chun Wah**”), a company incorporated in the Republic of Seychelles (“**Seychelles**”). Its ultimate controlling party is Mr. Chan Lai Sin (“**Mr. Chan**”), who is also the chairman and executive director of the Company. The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Office H, 19/F, Phase 01, Kings Wing Plaza, 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 12 April 2017.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “**Group**”) are provision of interior design and fit-out services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### ***New and Amendments to HKFRSs that are mandatorily effective for the current year***

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

### **HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### *New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)*

#### **HKFRS 16 Leases (continued)**

##### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### ***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, other than reclassification of obligations under finance leases and assets under finance leases included in property, plant and equipment, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 5.09% to 7.37%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### *New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)*

#### **HKFRS 16 Leases (continued)**

##### *As a lessee (continued)*

	<b>At 1 April 2019</b>
	<b>HK\$'000</b>
Operating lease commitments disclosed as at 31 March 2019	4,928
Lease liabilities discounted at relevant incremental borrowing rates	(193)
Less: Recognition exemption – low value assets	(17)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	(1,406)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	3,312
Add: Obligations under finance leases recognised at 31 March 2019	1,371
Lease liabilities as at 1 April 2019	4,683
Analysed as	
Current	2,429
Non-current	2,254
	4,683

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<b>Right-of-use</b>
	<b>assets</b>
	<b>HK\$'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,312
Amounts included in property, plant and equipment – Assets previously under finance leases	1,616
	4,928

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### *New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)*

#### **HKFRS 16 Leases (continued)**

##### *As a lessee (continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12,748	(1,616)	11,132
Right-of-use assets	–	4,928	4,928
<b>Current liabilities</b>			
Lease liabilities	–	2,429	2,429
Finance lease liabilities	596	(596)	–
<b>Non-current liabilities</b>			
Lease liabilities	–	2,254	2,254
Finance lease liabilities	775	(775)	–

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

### ***New and Amendments to HKFRSs in issue but not yet effective***

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

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

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

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16).

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

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

The principal accounting policies are set out below.

### **Basis of consolidation**

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Basis of consolidation (continued)**

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### ***Changes in the Group's interests in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### **Revenue from contracts with customers**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue from contracts with customers (continued)

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

#### ***Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)***

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### ***The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)***

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (continued)

#### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)*

##### *Right-of-use assets (continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (continued)

#### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)*

##### *Lease liabilities (continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases 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.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### *The Group as a lessee (prior to 1 April 2019)*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (continued)

#### *The Group as a lessee (prior to 1 April 2019) (continued)*

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

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

### Borrowing costs

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

### Employee benefits

#### *Retirement benefit*

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

#### *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

### Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment on property, plant and equipment and right-of-use assets (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Provisions

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“**FVTPL**”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

### Financial assets

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial assets (continued)*

##### *Classification and subsequent measurement of financial assets (continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, amount due from a director, amounts due from related companies and cash and bank balances), and other items (contract assets) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial assets (continued)*

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

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

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

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

#### (i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial assets (continued)*

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

(i) Significant increase in credit risk (continued)

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

(iv) Write-off policy

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial assets (continued)*

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments through the loss allowance accounts.

##### *Derecognition of financial assets*

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

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

#### **Financial liabilities and equity**

##### *Classification as debt or equity*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial liabilities and equity (continued)*

##### *Equity instruments*

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at amortised cost*

Financial liabilities including trade and other payables, amount due to a related company, amount due to a director and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition of financial liabilities*

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

##### *Non-substantial modifications of financial liabilities*

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

##### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties

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

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

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 dealing with the entity.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Provision of ECL for financial assets and contract assets*

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

#### *Construction contract*

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

## 5. REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

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

	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>		
Residential interior design and fit-out services	105,744	112,567
Commercial interior design and fit-out services	2,915	20,610
	<b>108,659</b>	<b>133,177</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

	2020 HK\$'000	2019 HK\$'000
<b>Other income and gain</b>		
Gain on disposal of property, plant and equipment	125	–
Interest income	118	118
Others	217	96
	<b>460</b>	214

### Disaggregation of revenue from contracts with customers

	2020 HK\$'000	2019 HK\$'000
<b>Timing of revenue recognition</b>		
Over-time	108,659	133,177
<b>Types of goods and services</b>		
Interior design and fit-out services	108,659	133,177

### Performance obligations for contracts with customers

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

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

As no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during the year ended 31 March 2020 (2019: Nil), no information about major customers is presented.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Provision of interior design and fit-out services	17,940	11,166

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 6. OPERATING LOSS

	2020 HK\$'000	2019 HK\$'000
Operating loss has been arrived at after charging:		
Employee benefits expenses		
Salaries and other benefits in kind	15,037	16,885
Contributions to retirement benefit scheme	503	601
Total employee benefits expense, including director's emoluments (Note)	15,540	17,486
Auditors' remuneration	480	600
Depreciation of property, plant and equipment	858	1,374
Depreciation of right-of-use assets	2,294	–
Warranty expenses	11	1,884
Minimum lease payments under operating lease rental in respect of:		
– premises	–	3,593
– office equipment	–	143
Lease payments relating to short-term leases in respect of:		
– premises	1,423	–

Note: During the year ended 31 March 2020, employee benefits expense of approximately HK\$6,613,000 (2019: HK\$7,320,000) was included in direct costs and approximately HK\$8,927,000 (2019: HK\$10,166,000) was included in administrative and other operating expenses.

## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on finance leases	–	78
Interest on lease liabilities	185	–
	185	78

## 8. INCOME TAX EXPENSE/(CREDIT)

	2020 HK\$'000	2019 HK\$'000
Current income tax – Hong Kong Profits Tax	–	37
Adjustment in respect of prior years	(3)	(9)
Total current income tax	(3)	28
Deferred income tax (Note 15)	59	(155)
Income tax expense/(credit)	56	(127)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 8. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

Accordingly, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the years ended 31 March 2020 and 2019.

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Loss before income tax	<b>(3,765)</b>	(2,992)
Calculated at a tax rate of 16.5%	<b>(621)</b>	(494)
<i>Tax effects of:</i>		
– Income not subject to tax	<b>(43)</b>	(10)
– Expenses not deductible for tax purposes	<b>97</b>	99
– Temporary differences previously not recognised	<b>12</b>	(48)
– Tax losses for which no deferred income tax asset was recognised	<b>625</b>	410
– Others	<b>10</b>	(45)
– Tax concession	<b>(21)</b>	(30)
– Adjustment in respect of prior years	<b>(3)</b>	(9)
Income tax expense/(credit)	<b>56</b>	(127)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 9. BENEFITS AND INTERESTS OF DIRECTORS

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

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

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2020</b>					
<i>Executive directors</i>					
Mr. Chan	–	2,079	–	21	2,100
Mr. Hung Lap Ka (Note (a)) ("Mr. Hung")	–	195	–	9	204
Ms. Wan Pui Chi ("Ms. Wan") (Note (b))	–	275	–	10	285
<i>Independent non-executive directors</i>					
Mr. Kwan Ngai Kit ("Mr. Kwan")	120	–	–	–	120
Ms. Lui Lai Chun ("Ms. Lui")	120	–	–	–	120
Mr. Wu Loong Cheong Paul ("Mr. Wu")	120	–	–	–	120
<i>Chief executive officer</i>					
Mr. Siu Ka Sing ("Mr. Siu")	–	791	–	18	809
	360	3,340	–	58	3,758

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 9. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2019</b>					
<i>Executive directors</i>					
Mr. Chan	–	2,079	–	21	2,100
Mr. Gan Jianjun (“ <b>Mr. Gan</b> ”) (Note (c))	–	123	–	–	123
Mr. Hung	–	342	–	17	359
Ms. So Hiu Bik (“ <b>Ms. So</b> ”) (Note (d))	–	81	–	5	86
<i>Independent non-executive directors</i>					
Mr. Kwan	120	–	–	–	120
Ms. Lui	120	–	–	–	120
Mr. Wu	120	–	–	–	120
<i>Chief executive officer</i>					
Mr. Siu	–	757	–	18	775
	360	3,382	–	61	3,803

Note:

- (a) Mr. Hung resigned from his role as the executive director effective from 9 September 2019.
- (b) Ms. Wan was appointed as executive director of the Company on 20 September 2019.
- (c) Mr. Gan resigned from his role as executive director effective from 30 August 2018.
- (d) Ms. So resigned from her role as executive director effective from 1 June 2018.

During the year ended 31 March 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil). Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2020 (2019: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 9. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2019: two) of them are director and chief executive for the year ended 31 March 2020 whose emoluments are disclosed above. The emoluments in respect of the remaining three (2019: three) individuals for the year ended 31 March 2020 is as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits in kind	1,821	1,598
Contributions to retirement benefit scheme	54	54
	<b>1,875</b>	1,652

The emoluments of each of the above non-director and non-chief executive, highest paid individuals were below HK\$1,000,000. During the year ended 31 March 2020, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2019: Nil).

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

## 11. LOSS PER SHARE

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

### Loss

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company	<b>(3,747)</b>	(2,990)

### Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>800,000</b>	800,000

The weighted average number of ordinary shares for the years ended 31 March 2020 and 2019 were derived from 800,000,000 ordinary shares in issue by the Company.

No diluted loss per share for the years ended 31 March 2020 and 2019 were presented as there were no potential ordinary shares in issue for the years ended 31 March 2020 and 2019.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 12. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 March 2020:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000 (Note)	Total HK\$'000
<b>Cost</b>							
As at 1 April 2018	10,320	2,508	1,007	648	601	3,479	18,563
Additions	–	121	58	118	37	686	1,020
Disposals	–	–	–	–	–	(43)	(43)
As at 31 March 2019	10,320	2,629	1,065	766	638	4,122	19,540
Adjustment upon application of HKFRS 16	–	–	–	–	–	(2,509)	(2,509)
As at 1 April 2019 (restated)	10,320	2,629	1,065	766	638	1,613	17,031
Transfer from right-of-use assets	–	–	–	–	–	1,110	1,110
Disposals	–	–	(189)	–	–	(787)	(976)
As at 31 March 2020	10,320	2,629	876	766	638	1,936	17,165
<b>Accumulated depreciation</b>							
As at 1 April 2018	415	2,092	671	411	527	1,315	5,431
Charge for the year	226	191	113	98	29	717	1,374
Disposals	–	–	–	–	–	(13)	(13)
As at 31 March 2019	641	2,283	784	509	556	2,019	6,792
Adjustment upon application of HKFRS 16	–	–	–	–	–	(893)	(893)
As at 1 April 2019 (restated)	641	2,283	784	509	556	1,126	5,899
Charge for the year	226	140	111	106	32	243	858
Transfer from right-of-use assets	–	–	–	–	–	559	559
Disposals	–	–	(167)	–	–	(628)	(795)
As at 31 March 2020	867	2,423	728	615	588	1,300	6,521
<b>Net book value</b>							
As at 31 March 2020	9,453	206	148	151	50	636	10,644
As at 31 March 2019	9,679	346	281	257	82	2,103	12,748

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

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

Note:

As at 31 March 2019, motor vehicles included the following amounts where the Group was a lessee under finance leases.

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

As at 31 March 2019, the Group leased various motor vehicles under non-cancellable finance lease agreements. The lease terms were ranging from 3 to 5 years, and ownership of the assets lie within the Group.

## 14. RIGHT-OF-USE ASSETS

	Motor vehicles HK\$'000	Office equipment HK\$'000	Office premises HK\$'000	Total HK\$'000
<b>As at 1 April 2019 upon application of HKFRS 16</b>				
Carrying amount	1,616	372	2,940	4,928
<b>For the year ended 31 March 2020</b>				
Depreciation charge	(411)	(124)	(1,759)	(2,294)
Transfer to property, plant and equipment	(551)	–	–	(551)
<b>As at 31 March 2020</b>				
Carrying amount	654	248	1,181	2,083

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 14. RIGHT-OF-USE ASSETS (CONTINUED)

	2020 HK\$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	1,423
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	6
Total cash outflow for leases	
– Within operating cash flows	1,429
– Within financing cash flows	2,836

For both years, the Group leases various offices, retail stores, equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 2 to 5 years. Certain leases of vehicles were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from 2% to 2.5% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 March 2020, the Group entered into new lease for office premise that is not yet commenced, with non-cancellable period of 1 year, the total future undiscounted cash flows over the non-cancellable period amounted to approximately HK\$752,000.

## 15. DEFERRED TAX ASSETS/LIABILITIES

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

### Deferred tax assets arising from:

	Provision for warranties HK\$'000	ECL HK\$'000	Total HK\$'000
As at 1 April 2018	89	8	97
Credited to profit or loss	114	21	135
As at 31 March 2019 and 1 April 2019	203	29	232
(Charged)/credited to profit or loss	(102)	12	(90)
<b>As at 31 March 2020</b>	<b>101</b>	<b>41</b>	<b>142</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

### Deferred tax liabilities arising from:

	<b>Tax depreciation HK\$'000</b>
As at 1 April 2018	175
Credited to profit or loss	(20)
As at 31 March 2019 and 1 April 2019	<b>155</b>
Credited to profit or loss	<b>(31)</b>
As at 31 March 2020	<b>124</b>

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

As at 31 March 2020, the Group has unused tax losses of approximately HK\$8,068,000 (2019: HK\$4,266,000) which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

## 16. CONTRACT ASSETS/LIABILITIES

	<b>2020 HK\$'000</b>	2019 HK\$'000
Contract assets (Note (i))	<b>433</b>	569
Less: allowance for credit losses	<b>(2)</b>	(1)
	<b>431</b>	568
Contract liabilities (Note (ii))	<b>13,060</b>	17,940

Notes:

- (i) The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.
- (ii) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from interior design and fit-out services.
- (iii) Included in the balance of contract liabilities as at 31 March 2020, there was a balance of approximately HK\$468,000 received in advance from Mr. Kwan for contract works (2019: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 17. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	548	971
Less: allowance for credit losses	(118)	(67)
	430	904
Other receivables, deposits and prepayments	8,250	8,188
Less: allowance for credit losses	(127)	(107)
	8,123	8,081
Total trade and other receivables	8,553	8,985

Notes:

- (a) No credit period was granted to customers (2019: 0-30 days) generally. Trade receivables are denominated in HK\$.
- (b) The following is an aged analysis of trade receivables presented based on the invoice dates.

	2020 HK\$'000	2019 HK\$'000
0-30 days	20	407
31-60 days	405	-
61-90 days	7	-
Over 90 days	116	564
	548	971

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

## 18. AMOUNTS DUE FROM RELATED COMPANIES/(TO) A RELATED COMPANY

	2020 HK\$'000	2019 HK\$'000
<b>Amounts due from related companies:</b>		
Happy Field Corporation Limited (“Happy Field”)	5	-
Rising Wing Enterprises Limited (“Rising Wing”)	15	-
	20	-
	2020 HK\$'000	2019 HK\$'000
<b>Maximum balance outstanding during the year:</b>		
Happy Field	5	-
Rising Wing	15	-

The amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 18. AMOUNT DUE FROM RELATED COMPANIES/(TO) A RELATED COMPANY (CONTINUED)

	2020 HK\$'000	2019 HK\$'000
<b>Amount due to a related company</b>		
Hong Kong Famous Designers Association Limited ("HKFDA")	8	8

The amount due to a related company is non-trade in nature, unsecured, interest-free and is repayable on demand.

## 19. AMOUNT DUE (TO)/FROM A DIRECTOR

Name of director	Maximum balance outstanding during the year ended		2020 HK\$'000	2019 HK\$'000
	2020	2019		
	HK\$'000	HK\$'000		
Mr. Chan	340	1,148	(119)	96

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

## 20. CASH AND BANK BALANCES

	2020 HK\$'000	2019 HK\$'000
Cash at banks	41,170	52,676
Cash on hand	568	430
Cash and cash equivalents	41,738	53,106

Notes:

- (a) The carrying amounts of cash and cash equivalents are mainly denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 21. SHARE CAPITAL

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

	Number of ordinary shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As at 1 April 2018, 31 March 2019 and 31 March 2020	1,000,000	10,000
<b>Issued and fully paid:</b>		
As at 1 April 2018, 31 March 2019 and 31 March 2020	800,000	8,000

## 22. RESERVES

### (i) Share premium

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

### (ii) Other reserve

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

## 23. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	3,674	6,164
Other payables and accruals	1,962	2,990
	5,636	9,154

Notes:

- (a) Payment terms granted by suppliers and subcontractors are generally 30 days (2019: 0-30 days) from the invoice date of the relevant purchases and services provided.

The following is an aged analysis of trade payables presented based on the invoice date.

	2020 HK\$'000	2019 HK\$'000
0-30 days	1,551	2,351
31-60 days	-	922
61-90 days	142	1,137
Over 90 days	1,981	1,754
	3,674	6,164

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 24. PROVISION FOR WARRANTIES

	2020 HK\$'000	2019 HK\$'000
Beginning of the year	1,229	537
Provision made for the year	611	1,766
Amounts utilised during the year	(629)	(824)
Reversal of unutilised amounts during the year	(600)	(250)
End of the year	611	1,229

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

## 25. FINANCE LEASE LIABILITIES

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 26. LEASE LIABILITIES

	2020 HK\$'000
Lease liabilities payable:	
Within one year	1,452
Within a period of more than one year but not more than two years	580
	2,032
Less: Amount due for settlement with 12 months shown under current liabilities	(1,452)
	580

## 27. SHARE OPTION SCHEME

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 27. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

No share option was granted, exercised, cancelled or lapsed during the years ended 31 March 2019 and 2020 and there was no share option outstanding as at 31 March 2020 (2019: Nil).

## 28. RETIREMENT BENEFITS PLANS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 29. COMMITMENTS

### Operating lease commitments – Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019 HK\$'000
Within one year	3,426
In the second to fifth years inclusive	1,502
	4,928

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

## 30. CAPITAL RISK MANAGEMENT

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

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

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

The gearing ratios of the Group are as follows:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Total interest-bearing liabilities and lease liabilities	2,032	1,371
Total equity	44,206	48,027
Gearing ratio	4.6%	2.9%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS

### Financial instruments by category

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Amortised cost	49,705	61,994
<b>Financial liabilities</b>		
Amortised cost	7,795	10,533

### Financial risk management

#### *Financial risk factors*

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

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

#### *(a) Interest rate risk*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management (continued)

#### Financial risk factors (continued)

(b) *Credit risk*

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management (continued)

#### Financial risk factors (continued)

##### (b) Credit risk (continued)

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

	Weighted average expected credit loss rate	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net carrying amount HK\$'000
<b>As at 31 March 2020</b>				
Trade receivables	21.53%	548	118	430
Other receivables	1.84%	6,897	127	6,770
Contract assets	0.46%	433	2	431
<b>As at 31 March 2019</b>				
Trade receivables	6.90%	971	67	904
Other receivables	1.54%	6,950	107	6,843
Contract assets	0.18%	569	1	568

The movements in the loss allowance for trade and other receivables and contract assets are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK\$'000	Trade receivables Life-time ECL (credit impaired) HK\$'000	Other receivables 12 months ECL (not credit impaired) HK\$'000	Contract assets Life-time ECL (not credit impaired) HK\$'000
At 1 April 2018	39	–	1	7
Increase/(decrease) in loss allowance recognised in profit or loss during the year	28	–	106	(6)
At 31 March 2019 and 1 April 2019	67	–	107	1
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(32)	83	20	1
At 31 March 2020	35	83	127	2

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management (continued)

#### Financial risk factors (continued)

##### (b) Credit risk (continued)

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

The Group performs impairment assessment under the ECL model on deposits and other receivables, amount due from a director, amounts due from related companies and cash and bank balances. Except for those which had been determined as credit impaired, the ECL on these assets are based on 12-month ECL as there have been no significant increase in credit risk since initial recognition. For the years ended 31 March 2020 and 2019, the Group assessed the ECL for deposits, amount due from a director, amounts due from related companies and cash and bank balances are insignificant and thus no loss allowance was recognised.

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

As at 31 March 2020, 4 customers (2019: 4 customers) which individually contributed over 10% of the Group's aggregate trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to approximately 85% of the Group's total trade receivables and contract assets as at 31 March 2020 (2019: 62%).

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

##### (c) Liquidity risk

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

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

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
<b>As at 31 March 2020</b>				
Trade and other payables excluding non-financial liabilities	5,636	–	–	5,636
Amount due to a related company	8	–	–	8
Amount due to a director	119	–	–	119
Lease liabilities	1,518	591	–	2,109
	7,281	591	–	7,872
<b>As at 31 March 2019</b>				
Trade and other payables excluding non-financial liabilities	9,154	–	–	9,154
Amount due to a related company	8	–	–	8
Finance lease liabilities	644	541	262	1,447
	9,806	541	262	10,609



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Lease liabilities HK\$'000</b>	<b>Finance lease liabilities HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2018	–	1,268	1,268
Financing cash flows			
– Repayment of finance leases	–	(595)	(595)
Non-cash changes			
– New finance lease	–	698	698
At 31 March 2019	–	1,371	1,371
Adjustment upon application of HKFRS 16	4,683	(1,371)	3,312
As at 1 April 2019 (restated)	4,683	–	4,683
Financing cash flows			
– Repayment of lease liabilities	(2,836)	–	(2,836)
Non-cash changes			
– Interest expenses	185	–	185
Balance as at 31 March 2020	2,032	–	2,032

## 33. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 16, 18 and 19 to the consolidated financial statements, the Group entered into the following material transactions with related parties during the reporting period:

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

<b>Name of related parties</b>	<b>Relationship with the Group</b>
Happy Field	A related company owned by Mr. Chan.
Rising Wing	A related company owned by Mr. Chan.
HKFDA	A related company controlled by Mr. Chan.
Mr. Chan	An executive director and the chairman of the Company
Mr. Kwan	An independent non-executive director of the Company

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Note	2020 HK\$'000	2019 HK\$'000
Rental expenses paid to:			
Rising Wing	(i)&(ii)	–	323
Revenue from:			
Mr. Kwan	(i)&(ii)	93	–

Notes:

- (i) The rental expenses and revenue are based on the agreements entered into between the parties involved.
- (ii) These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.
- (iii) The emoluments of the directors and senior executives (representing the key management personnel) during the reporting period are disclosed in Note 9.

## 34. NON-CONTROLLING INTERESTS

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

## 35. NON-CASH TRANSACTIONS

During the year ended 31 March 2019, addition of property, plant and equipment of approximately HK\$698,000 was financed by finance lease arrangements.

## 36. EVENTS AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak 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 will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>		
Investment in a subsidiary	1,245	1,245
<b>Current assets</b>		
Prepayments	124	113
Amount due from a subsidiary	2,546	–
Cash and bank balance	32,583	38,469
	<b>35,253</b>	<b>38,582</b>
<b>Total assets</b>	<b>36,498</b>	<b>39,827</b>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	8,000	8,000
Reserves (Note (b))	28,195	30,950
<b>Total equity</b>	<b>36,195</b>	<b>38,950</b>
<b>Current liabilities</b>		
Accruals	303	264
Amount due to a subsidiary	–	613
<b>Total liabilities</b>	<b>303</b>	<b>877</b>
<b>Total equity and liabilities</b>	<b>36,498</b>	<b>39,827</b>
<b>Net current assets</b>	<b>34,950</b>	<b>37,705</b>
<b>Total assets less current liabilities</b>	<b>36,195</b>	<b>38,950</b>

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 22 June 2020 and are signed on its behalf by:

**Mr. Chan Lai Sin**  
*Director*

**Ms. Wan Pui Chi**  
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

### (b) Reserves movement of the Company

	Share premium HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1 April 2018	44,419	(4,755)	(8,822)	30,842
Profit and total comprehensive income for the year	–	–	108	108
Balance as at 31 March 2019 and 1 April 2019	44,419	(4,755)	(8,714)	30,950
Loss and total comprehensive expense for the year	–	–	(2,755)	(2,755)
Balance as at 31 March 2020	44,419	(4,755)	(11,469)	28,195