

# Lotus Horizon Holdings Limited

## 智中國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 6063



2020  
Annual Report



# Contents

|   |     |
|---|-----|
| Corporate Information   | 02  |
| Chairman's Statement  | 04  |
| Management Discussion and Analysis                                      | 05  |
| Biographical Details of Directors and Senior Management                 | 11  |
| Directors' Report   | 15  |
| Corporate Governance Report   | 25  |
| Environmental, Social and Governance Report                             | 35  |
| Independent Auditor's Report  | 55  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 60  |
| Consolidated Statement of Financial Position                            | 61  |
| Consolidated Statement of Changes in Equity                             | 62  |
| Consolidated Statement of Cash Flows                                    | 63  |
| Notes to the Consolidated Financial Statements                          | 64  |
| Financial Summary   | 114 |

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chu Kwok Fun (*Chairman and Chief Executive Officer*)  
Mr. Tsang Chiu Wan

### Independent non-executive Directors

Ms. Leung Yin Fai  
Mr. Ma Tsz Chun  
Ms. Yuen Wai Yee

## AUDIT COMMITTEE

Mr. Ma Tsz Chun (*Chairman*)  
Ms. Leung Yin Fai  
Ms. Yuen Wai Yee

## REMUNERATION COMMITTEE

Ms. Leung Yin Fai (*Chairman*)  
Mr. Tsang Chiu Wan  
Mr. Ma Tsz Chun  
Ms. Yuen Wai Yee

## NOMINATION COMMITTEE

Mr. Chu Kwok Fun (*Chairman*)  
Mr. Ma Tsz Chun  
Ms. Leung Yin Fai

## COMPANY SECRETARY

Mr. Lee Wai Hung Garic

## AUTHORISED REPRESENTATIVES

Mr. Chu Kwok Fun  
Mr. Lee Wai Hung Garic

## REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F, Delta House  
3 On Yiu Street  
Shatin, New Territories  
Hong Kong

## COMPLIANCE ADVISER

Innovax Capital Limited  
Room 2002, 20th Floor  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai  
Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

Stevenson, Wong & Co.  
39th Floor  
Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

# Corporate Information

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Registered Public Interest Entity Auditor  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

## PRINCIPAL BANKERS

Shanghai Commercial Bank Limited  
G28 Franki Centre  
320 Junction Road  
Kowloon Tong  
Hong Kong

Dah Sing Bank Limited  
35th Floor, Everbright Centre  
108 Gloucester Road  
Hong Kong

## COMPANY WEBSITE

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

## STOCK CODE

6063

# Chairman's Statement

Dear Shareholders,

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

The Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 April 2020 (the "**Listing Date**"). The Listing marked a new milestone for the Company and its future development which involved the share offer of 500 million shares of HK\$0.01 each at an offer price of HK\$0.25 per share to the public ("**Share Offer**") and successfully raised a total net cash proceeds of approximately HK\$78.2 million after deducting the underwriting commissions and all related expenses. We believe that the Listing has not only enhanced our corporate profile, but also reinforced our Group's image as a well-established company as well as broadened our client base and provided sufficient financial resources for our future expansion.

During the year ended 31 March 2020, the Group is principally engaged in the provision of design, supply, and installation services for façade works and building metal finishing works projects in Hong Kong. For the year ended 31 March 2020, the Group's total revenue amounted to approximately HK\$243.5 million, representing an increase of approximately 20.1% as compared to that of the year ended 31 March 2019. Profit attributable to owners of the Company after deducting the Listing expenses was approximately HK\$34.2 million. Before deducting the aforesaid Listing expenses, profit attributable to owners of the Company was approximately HK\$47.8 million. The Board proposed the payment of a final dividend of HK cent 0.5 per share for the year ended 31 March 2020 to the shareholders of the Company (the "**Shareholders**") subject to approval by the Shareholders in the forthcoming annual general meeting.

Looking forward, the Group will make steady progress in accordance with the plans formulated before its Listing and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it. Despite the year 2020 will be full of challenge, this is the first year for the Group to embrace reform after Listing. The Board will proactively seek potential opportunities for expanding the business, among others, exploring the possibility to expand to other segments in the value chain of the construction industry, and construction site and facility management solutions in quality control, safety, project and facility management.

The Group will apply the net proceeds raised from the Share Offer to implement its business strategies, which include (i) strengthening the Group's capital base; (ii) strengthening the Group's team of professional staff and (iii) using specialised building information modelling solution and enterprise resources planning solution. The above business strategies laid a solid foundation for the achievement of the profit target of the Group.

Last but not the least, I would like to express my sincere thanks to our Shareholders, business partners and customers, as well as our management and staff for their utmost support. I am extremely proud of the dedication and commitment our management team has shown in support of achieving our growth.

**Chu Kwok Fun**

*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2020

# Management Discussion and Analysis

## BUSINESS REVIEW

We are a subcontractor engaged in the provision of design, supply, and installation services for façade works and building metal finishing works in Hong Kong.

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing Date**”) by way of Share Offer (as defined in the Prospectus) (the “**Listing**”). The net proceeds received by the Company from the Share Offer have strengthened the Group’s cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed “Reasons for the Listing and Proposed Use of the Net Proceeds from the Share Offer” in the prospectus of the Company dated 30 March 2020 in relation to the Share Offer (the “**Prospectus**”).

As at 31 March 2020, the Group had 23 projects in progress with a total original contract sum of approximately HK\$670.2 million. Total revenue of approximately HK\$243.5 million was recognised during the year.

During the year, we were awarded 15 new projects with a total contract sum of approximately HK\$263.5 million, out of which 11 projects belong to façade works projects and four projects belong to building metal finishing works projects.

## Outlook and prospects

Looking forward, the year 2020 is expected to be a challenging year. The outbreak of COVID-19 has brought adverse impact on the macroeconomic condition in an international and domestic context. The Directors will closely monitor the situation and evaluate the potential impact on our operations and financial position on a continuing basis.

Concerning the façade industry, the demand for façade works is mainly driven by construction of residential and commercial buildings, but there is a market trend that the use of façade is gradually extended to the buildings of public facilities. Besides, the façade works industry is expected to be supported by various development projects and programmes initiated by the government.

Regarding building metal finishing works industry, it is driven by the increase in supply of residential properties, commercial properties and public facilities. In respect of the residential housing units provided by the government, there is a growing public demand for housing with reference to the Long-term Housing Strategy Annual Progress Report 2019 issued by the government in December 2019, where building metal finishing works are an essential part of any building.

Therefore, we remain cautiously optimistic about our business growth in consideration of our competitive strengths, especially with our good reputation and proven track record in façade works and building metal finishing works, and our established business relationships with a wide range of clientele.

The Group will also further strengthen our clientele base and exercise effective control on costs so as to achieve sustainable business growth to bring long-term benefits to our shareholders.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The table below sets forth an analysis of our revenue by the types of services provided for the years ended 31 March 2020 and 2019:

|                                | Year ended 31 March |              |          |       |
|--------------------------------|---------------------|--------------|----------|-------|
|                                | 2020                |              | 2019     |       |
|                                | HK\$'000            | %            | HK\$'000 | %     |
| Façade works                   | <b>166,582</b>      | <b>68.4</b>  | 139,381  | 68.7  |
| Building metal finishing works | <b>76,871</b>       | <b>31.6</b>  | 63,405   | 31.3  |
| Total                          | <b>243,453</b>      | <b>100.0</b> | 202,786  | 100.0 |

The Group's revenue increased by approximately HK\$40.7 million or approximately 20.1% from approximately HK\$202.8 million for the year ended 31 March 2019 to approximately HK\$243.5 million for the year ended 31 March 2020. The increase in revenue recognised was primarily due to the increase in completion percentage of some sizeable projects undergoing the final stage of installation during the year, attributable to the increase in revenue of approximately HK\$27.2 million and approximately HK\$13.5 million from façade works projects and building metal finishing works projects respectively by the types of services.

The table below sets forth an analysis of our revenue by sectors for the years ended 31 March 2020 and 2019:

|                        | Year ended 31 March |              |          |       |
|------------------------|---------------------|--------------|----------|-------|
|                        | 2020                |              | 2019     |       |
|                        | HK\$'000            | %            | HK\$'000 | %     |
| Residential properties | <b>113,182</b>      | <b>46.5</b>  | 59,807   | 29.5  |
| Commercial properties  | <b>41,978</b>       | <b>17.2</b>  | 57,472   | 28.3  |
| Public facilities      | <b>88,293</b>       | <b>36.3</b>  | 85,507   | 42.2  |
| Total                  | <b>243,453</b>      | <b>100.0</b> | 202,786  | 100.0 |

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Gross profit and gross profit margin

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by types of services for the years ended 31 March 2020 and 2019:

|                                | Year ended 31 March |                         |          |                         |
|--------------------------------|---------------------|-------------------------|----------|-------------------------|
|                                | 2020                |                         | 2019     |                         |
|                                | HK\$'000            | Gross profit margin (%) | HK\$'000 | Gross profit margin (%) |
| Façade works                   | 47,044              | 28.2                    | 42,689   | 30.6                    |
| Building metal finishing works | 23,914              | 31.1                    | 19,095   | 30.1                    |
| Total                          | 70,958              | 29.1                    | 61,784   | 30.5                    |

The Group's gross profit increased by approximately HK\$9.2 million from approximately HK\$61.8 million for the year ended 31 March 2019 to approximately HK\$71.0 million for the year ended 31 March 2020. The gross profit margin decreased from approximately 30.5 % for the year ended 31 March 2019 to approximately 29.1% for the year ended 31 March 2020, mainly due to the increase in revenue contribution from projects with relatively lower gross profit margin for the year ended 31 March 2020.

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by sectors for the years ended 31 March 2020 and 2019:

|                        | Year ended 31 March |                         |          |                         |
|------------------------|---------------------|-------------------------|----------|-------------------------|
|                        | 2020                |                         | 2019     |                         |
|                        | HK\$'000            | Gross profit margin (%) | HK\$'000 | Gross profit margin (%) |
| Residential properties | 31,553              | 27.9                    | 16,161   | 27.0                    |
| Commercial properties  | 12,709              | 30.3                    | 19,087   | 33.2                    |
| Public facilities      | 26,696              | 30.2                    | 26,536   | 31.0                    |
| Total                  | 70,958              | 29.1                    | 61,784   | 30.5                    |

### Other income, gains and losses, net

During the year ended 31 March 2020, we recognized other gains of approximately HK\$88,000 as compared with other losses of approximately HK\$248,000 incurred during the year ended 31 March 2019, which was primarily arising from the loss on disposal of property and equipment.

### Impairment losses reversed, net

The amounts represent impairment losses, net of reversal, made on trade receivables and contract assets. The Group's impairment losses reversed, net increased from approximately HK\$0.7 million for the year ended 31 March 2019 to approximately HK\$1.3 million for the year ended 31 March 2020. The reversal for the year ended 31 March 2020 was mainly due to a contract asset of approximately HK\$1.4 million recovered during the year.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Operating and administrative expenses

Operating and administrative expenses include staff costs, depreciation and amortisation, marketing and promotion expenses, travelling, office and utility expenses, legal and professional fees and other expenses. For the year ended 31 March 2020, the Group's operating and administrative expenses were approximately HK\$13.8 million, representing an increase of approximately 26.6% from approximately HK\$10.9 million for the year ended 31 March 2019. The increase was mainly attributable to increases in legal and professional fees and staff costs.

### Finance costs

Finance costs comprise interests on bank borrowings and interests on lease liabilities. The former refers to the interest cost incurred for borrowings raised from banks while the latter refers to interest portion included in the lease payments under the leases of renting office premises and office equipment for operating uses. For the year ended 31 March 2020, the finance costs were approximately HK\$1.5 million, increased by approximately HK\$1.2 million from approximately HK\$0.3 million for the year ended 31 March 2019. The increase in finance costs for the year ended 31 March 2020 was mainly due to the increase in interests on bank borrowings.

### Listing expenses

The Group incurred professional services fees in respect of the Listing of approximately HK\$13.6 million and approximately HK\$6.0 million for the years ended 31 March 2020 and 2019, respectively.

### Income tax expense

The Group's income tax expenses increased by approximately HK\$0.7 million from approximately HK\$8.5 million for the year ended 31 March 2019 to approximately HK\$9.2 million for the year ended 31 March 2020. The effective tax rate of the Group for the year ended 31 March 2020 based on the profit before taxation was approximately 21.3% (2019: approximately 18.9%). The higher effective tax rate during the year ended 31 March 2020 as compared to the year ended 31 March 2019 were primarily due to the payment of the Listing expenses which were not deductible for Hong Kong profits tax purpose.

### Profit and total comprehensive income for the year

As a result of the foregoing, the Group's net profit decreased by approximately HK\$2.3 million from approximately HK\$36.5 million for the year ended 31 March 2019 to approximately HK\$34.2 million for the year ended 31 March 2020, and the Group's net profit margin decreased from approximately 18.0% to approximately 14.0% during the same periods, mainly due to the recognition of the Listing expenses of approximately HK\$13.6 million for the year ended 31 March 2020 as compared to approximately HK\$6.0 million for the year ended 31 March 2019. Excluding the one-off Listing expenses, the profit attributable to the owners of the Company would have been approximately HK\$47.8 million and approximately HK\$42.5 million for the years ended 31 March 2020 and 2019, respectively, representing an increase of approximately 12.5 % as compared to the year ended 31 March 2019.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group had net current assets of approximately HK\$58.3 million (2019: approximately HK\$24.9 million). The current ratio of the Group was approximately 2.0 times as at 31 March 2020 (2019: approximately 1.3 times).

The Group finances its operations primarily through a combination of cash flows generated from operations and bank borrowings.

As at 31 March 2020, the Group had bank balances and cash of approximately HK\$14.0 million (2019: approximately HK\$13.5 million).

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

### Bank borrowings

As at 31 March 2020, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$66.8 million, out of which an aggregate amount of approximately HK\$39.7 million was utilised for bank borrowings and performance guarantees.

The gearing ratio of the Group, calculated based on the Group's total bank borrowings divided by total equity and multiplied by 100%, was approximately 55.5% as at 31 March 2020 (2019: approximately 115.6%).

The Group has adopted a prudent approach in financial resources management. In the management of the liquidity, the Group continues to monitor and maintain adequate cash and cash equivalents as well as banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves. During the year ended 31 March 2020, there has been no change in the capital structure of the Company.

Save as disclosed in the below section headed "Events after the Reporting Period", there has been no change in the capital structure of the Company since the Listing Date and up to the date of this annual report.

### Pledge of assets

At 31 March 2019, the Group's trade receivables of approximately HK\$11.2 million were pledged to secure bank borrowings granted to the Group.

As at 31 March 2020, the pledged bank deposits of approximately HK\$5.1 million (2019: nil) have been pledged to secure surety bonds of an aggregate balance of approximately HK\$5.1 million (2019: nil) given by a bank.

### Foreign exchange exposures

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to certain procurement of raw material with Renminbi. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Group however considers that the currency risk of those monetary liabilities is not significant and did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the year ended 31 March 2020. The management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Capital expenditure

Our principal capital expenditures relate primarily to investments in property and equipment excluding right-of-use assets. For the year ended 31 March 2020, the Group incurred capital expenditure of approximately HK\$0.2 million (2019: approximately HK\$1.2 million).

### Capital commitments and contingent liabilities

The Group provides guarantees in respect of the surety bonds in favour of the customers of certain construction projects, which amounted to approximately HK\$5.1 million as at 31 March 2020 (31 March 2019: nil). Save as disclosed herein, there is no other capital commitment and contingent liabilities that the Group is aware of.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

### Significant investments, acquisition and disposals

Apart from the reorganisation in relation to the Listing, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the reporting period. Save as disclosed in the Prospectus, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 March 2020.

### Future plans for material investments and capital assets

Save as disclosed in the Prospectus and in this annual report, the Group did not have other plans for material investments or capital assets.

## USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date, with net proceeds received by the Company from the Share Offer in the amount of approximately HK\$78.2 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer will be used in the manner consistent with that mentioned in the section headed "Reasons for the Listing and Proposed Use of the Net Proceeds from the Share Offer" of the Prospectus.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 46 (2019: 42) full time employees (including two executive Directors but excluding three independent non-executive Directors). The increase in the number of employees was mainly attributable to the increase in the number of project staff. The Group has implemented a tight cost control and adjusts the number of project staff based on the progress and expected workload of our construction works and the expected completion dates of work projects. The number of administrative staff was relatively stable as at 31 March 2019 and 2020.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance, qualifications, experiences and position held. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides and organises various types of training to its employees to elevate overall efficiency, employee loyalty and morale. Total staff costs for the year ended 31 March 2020 were approximately HK\$23.8 million (2019: approximately HK\$19.5 million).

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this annual report, the following significant events took place subsequent to 31 March 2020 and up to the date of this annual report:

- (i) The shares of the Company were listed on the Stock Exchange on 15 April 2020. On 15 April 2020, the Company allotted and issued 50,000,000 and 450,000,000 new shares of par value of HK\$0.01 each at offer price of HK\$0.25 each, credited as fully paid, pursuant to the Hong Kong Public Offering and International Offering as defined in the Prospectus, respectively.
- (ii) The share premium account of the Company was credited as a result of the Listing, the Company capitalised an amount of HK\$14,999,998 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 1,499,999,800 shares for allotment and issue to the shareholders of the Company on 15 April 2020.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

### Mr. Chu Kwok Fun (朱國歡先生)

Mr. Chu Kwok Fun (朱國歡先生), aged 49, is our executive Director, Chairman, Chief Executive Officer, and one of our Controlling Shareholders. Mr. Chu has been the sole shareholder and the sole director of ICGL Technical Works (HK) Limited (“**ICGL (Hong Kong)**”) since its incorporation on 4 May 2007. Mr. Chu was appointed as a Director on 14 November 2018 and was redesignated as an executive Director on 19 September 2019. Mr. Chu is primarily responsible for the overall management, strategic planning, and development of our business operations. Mr. Chu is the chairman of the Nomination Committee.

Mr. Chu has over 22 years of work experience in construction project management.

Mr. Chu graduated from Hong Kong Polytechnic (presently known as The Hong Kong Polytechnic University) with the higher diploma in structural engineering in October 1992.

### Mr. Tsang Chiu Wan (曾昭維先生)

Mr. Tsang Chiu Wan (曾昭維先生), aged 61, is our executive Director. Mr. Tsang joined us as a general manager of ICGL (Hong Kong) in February 2011. He was appointed as a Director on 24 May 2019 and was redesignated as an executive Director on 19 September 2019. Mr. Tsang is primarily responsible for supervising, managing, and overseeing the day-to-day operation and administration of our business operations. Mr. Tsang is a member of the Remuneration Committee.

Mr. Tsang has more than 26 years of experience in business management.

Mr. Tsang graduated from The University of Hong Kong with a bachelor’s degree of social sciences in November 1981.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Ms. Leung Yin Fai (梁燕輝女士)

Ms. Leung Yin Fai (梁燕輝女士), aged 55, was appointed as an independent non-executive Director on 5 March 2020. Ms. Leung is the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee.

Ms. Leung has over 25 years of experience in accounting and corporate services.

Ms. Leung has been a director of K E Corporate Services Limited (a company secretarial services provider) since April 2016, the managing director of K E Management & Consultancy (Shanghai) Co., Ltd. since August 2015. Ms. Leung was an independent non-executive director of Green Leader Holdings Group Limited (Hong Kong Stock Code: 0061) from April 2014 to January 2020 and was a director of KCS Hong Kong Limited from August 2008 to October 2014.

Ms. Leung has been an associate member of Hong Kong Society of Accountants (presently known as The Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) since September 1990, a fellow member of The Chartered Association of Certified Accountants (presently known as The Association of Chartered Certified Accountants) in the United Kingdom and CPA Australia since July 1995 and May 2004, respectively. Ms. Leung obtained a master’s degree of commerce in international professional accounting from The University of New South Wales, in November 2002.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTOR (CONTINUED)

### Mr. Ma Tsz Chun (馬時俊先生)

Mr. Ma Tsz Chun (馬時俊先生), aged 54, was appointed as an independent non-executive Director on 5 March 2020. Mr. Ma is the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee.

Mr. Ma has over 32 years of experience in accounting and finance matters.

Mr. Ma is an independent non-executive Director of In Technical Productions Holdings Limited (stock code: 8446) and Chinese Estates Holdings Limited (stock code: 127).

Mr. Ma graduated from Hong Kong Polytechnic (presently known as The Hong Kong Polytechnic University) with a professional diploma in accountancy in November 1987. Mr. Ma then obtained a master's degree of business administration and a master's degree of science from The Chinese University of Hong Kong in December 1997 and December 2003, respectively. In October 2009, Mr. Ma obtained a master's degree of science in China business studies from The Hong Kong Polytechnic University.

Mr. Ma has been an associate member and a certified public accountant (practising) of Hong Kong Society of Accountants (presently known as the HKICPA) since September 1990 and October 2000, respectively. Mr. Ma has been an associate member in October 1990 and subsequently a fellow member of The Chartered Association of Certified Accountants (presently known as The Association of Chartered Certified Accountants) since November 1995.

### Ms. Yuen Wai Yee (袁慧儀女士)

Ms. Yuen Wai Yee (袁慧儀女士), aged 46, was appointed as an independent non-executive Director on 5 March 2020. Ms. Yuen is a member of both the Audit Committee and the Remuneration Committee.

Ms. Yuen has over 22 years of work experience in corporate finance, accounting, and company secretarial matters.

Ms. Yuen graduated from The Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy (honours) in November 2004. Ms. Yuen then obtained a master's degree of business administration from Heriot-Watt University, a university based in Edinburgh, Scotland, the United Kingdom in November 2010. Ms. Yuen has been a member and a fellow member of The Association of Chartered Certified Accountants since November 2003 and November 2008, respectively, and a certified public accountant of HKICPA since April 2004.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

### Mr. Mo Wan Fai (毛雲輝先生)

Mr. Mo Wan Fai (毛雲輝先生), aged 57, joined us as a senior manager of ICGL (Hong Kong) on 22 September 2011 and was promoted as a senior manager (tender and procurement) of ICGL (Hong Kong) on 1 January 2019. Mr. Mo is responsible for tendering, procurement, preparing claims, and project budgeting.

Mr. Mo has over 37 years of work experience in project planning, project estimation and management in construction industry.

Mr. Mo graduated from Hong Kong Polytechnic (presently known as The Hong Kong Polytechnic University) with a higher certificate in building studies in November 1990. Mr. Mo also obtained a bachelor's degree of applied science, construction management and economics from Curtin University of Technology in February 2004.

### Mr. Phua Chau Yuen (潘秋源先生)

Mr. Phua Chau Yuen (潘秋源先生), aged 36, joined us as a project manager of ICGL (Hong Kong) on 1 November 2012 and was promoted as a senior project manager of ICGL (Hong Kong) on 1 January 2019. Mr. Phua is responsible for the overall coordination and management of assigned projects, including project design, site supervision, and completion for our façade works projects.

Mr. Phua has over 14 years of work experience in construction projects management.

Mr. Phua graduated from City University of Hong Kong with an associate's degree of science in construction engineering and management and a bachelor's degree of engineering (honours) in building engineering (structural and geotechnical engineering) in November 2005 and February 2010, respectively.

### Mr. Li Hing Chung (李慶聰先生)

Mr. Li Hing Chung (李慶聰先生), aged 55, joined us as a senior project manager of ICGL (Hong Kong) on 28 August 2015. Mr. Li is responsible for the overall coordination and management of assigned projects, including project design, site supervision, and completion for our building metal finishing works projects.

Mr. Li has over 28 years of work experience in construction projects management and surveying.

Mr. Li obtained a diploma in building studies from the Vocational Training Council in July 1986.

Mr. Li then graduated from City Polytechnic of Hong Kong (presently known as City University of Hong Kong) with a higher diploma in building in November 1989. Mr. Li obtained a diploma in surveying (quantity surveying) from The College of Estate Management (presently known as the University College of Estate Management) by distance learning and a bachelor's degree of science in building engineering and management from The Hong Kong Polytechnic University in September 1993 and December 2005, respectively.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT (CONTINUED)

### Mr. Lee Wai Hung Garic (李偉鴻先生)

Mr. Lee Wai Hung Garic (李偉鴻先生), aged 53, joined us as a financial controller of ICGL (Hong Kong) on 2 October 2018. Mr. Lee is responsible for overseeing financial and compliance matters of our Group.

Mr. Lee has over 27 years of work experience in auditing and financial matters.

Mr. Lee graduated from Hong Kong Polytechnic (presently known as The Hong Kong Polytechnic University) with a professional diploma in management accountancy in November 1989. Mr. Lee has been an associate member of the Chartered Institute of Management Accountants since August 1995 and an associate member of Hong Kong Society of Accountants (presently known as the HKICPA) since January 1998. Mr. Lee has also been a fellow member of The Association of Chartered Certified Accountants since November 2005.

## COMPANY SECRETARY

Mr. Lee Wai Hung Garic (李偉鴻先生), was appointed as the company secretary of our Company on 19 September 2019. He is mainly responsible for financial management, corporate governance and overall corporate secretarial matters of our Group. Details of his qualifications and experience are set out in the paragraph headed "Senior Management" above.

# Directors' Report

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the "**Consolidated Financial Statements**").

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 38 to the Consolidated Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2020.

## SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 6 to the Consolidated Financial Statements.

## BUSINESS REVIEW

The business review and outlook of the Group for the year ended 31 March 2020 are set out in the sections headed "Chairman's statement" and "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 14 November 2018. The Company completed the corporate reorganisation (the "**Reorganisation**") on 27 March 2019 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development, and Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 15 April 2020 by way of Share Offer.

## SUBSIDIARIES

Particulars of the Company's subsidiaries during the year ended 31 March 2020 are set out in Note 38 to the Consolidated Financial Statements.

## RESULTS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this annual report.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$10.0 million (equivalent to HK cent 0.5 per share) (the "**Final Dividend**") for the year ended 31 March 2020 to the shareholders whose names appear on the register of members of the Company on 18 September 2020 (2019: nil). The proposed Final Dividend will be subject to shareholders' approval at the Company's forthcoming annual general meeting (the "**AGM**"). The proposed Final Dividend, if approved, will be distributed on or about 30 September 2020.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

## ANNUAL GENERAL MEETING

The AGM will be held on Friday, 11 September 2020. A notice convening the annual general meeting will be published in the Company's website of [www.lotushorizonholdings.com](http://www.lotushorizonholdings.com) and despatched to Shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

# Directors' Report

## CLOSURE OF REGISTER OF MEMBERS

### For attending and voting at the AGM

The register of members of the Company will be closed from Tuesday, 8 September 2020 to Friday, 11 September 2020 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 September 2020.

### For entitlement to the proposed Final Dividend

The register of members of the Company will be closed from Thursday, 17 September 2020 to Friday, 18 September 2020 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed Final Dividend, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 September 2020.

## KEY RISKS AND UNCERTAINTIES

The Group's operation is subject to social, political, economic, and market risks, which may affect the competition and profitability of projects in façade works and building metal finishing works industry. Furthermore, the projects undertaken by the Group are awarded on a project-by-project basis through tendering; failure to obtain continuity of the order book for new projects could adversely affect the Group's financial performance. Revenue from a few of the Group's customers accounted for a substantial portion of the Group's revenue; inability to retain business relation with and/or secure sufficient new business from them may materially affect the Group's operation and financial performance.

## FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years, as set out on page 114 of this annual report, are extracted from this annual report and the Prospectus.

## PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 March 2020 are set out in Note 15 to the Consolidated Financial Statements.

## SHARE CAPITAL

The Company's total issued share capital as at 31 March 2020 was 200 ordinary Shares of HK\$0.01 per Share. As at the date of this annual report, the share capital of the Company was 2,000,000,000 ordinary Shares of HK\$0.01 per Share.

Details of movements during the year ended 31 March 2020 in the share capital of the Company are set out in Note 26 to the Consolidated Financial Statements.

# Directors' Report

## DEBENTURES

The Company did not issue any debenture during the year ended 31 March 2020.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity on page 62 of this annual report.

## DISTRIBUTABLE RESERVE OF THE COMPANY

Please refer to Note 37 to the Consolidated Financial Statements for details of the Company's distributable reserve as at 31 March 2020.

## BOARD OF DIRECTORS

The Directors who held office from the Listing Date up to the date of this annual report are:

### Executive Directors

Mr. CHU Kwok Fun (*Chairman and Chief Executive Officer*)  
Mr. TSANG Chiu Wan

### Independent non-executive Directors

Ms. LEUNG Yin Fai  
Mr. MA Tsz Chun  
Ms. YUEN Wai Yee

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a contract for appointment with the Company for a term of three years commencing from the Listing Date of the Company, unless terminated by notice in writing served by either party on the other in accordance with the service contract.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

# Directors' Report

## MANAGEMENT CONTRACTS

No contracts, other than the appointment contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

## DISCLOSURE OF DIRECTORS' INTEREST IN SECURITIES

### Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

Since the Listing Date and up to the date of this annual report, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by Directors of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

| Name of Director        | Capacity/Nature of Interest        | Number of Shares held/interested | Percentage of shareholding |
|-------------------------|------------------------------------|----------------------------------|----------------------------|
| Mr. Chu Kwok Fun (Note) | Interest in controlled corporation | 1,500,000,000<br>(Long position) | 75.0%                      |

Note: These Shares are registered in the name of Platinum Lotus Holdings Limited, which is legally, beneficially and wholly-owned by Mr. Chu. Under the SFO, Mr. Chu is deemed to be interested in all the Shares held by Platinum Lotus Holdings Limited.

Save as disclosed above, since the Listing Date and up to the date of this annual report, none of the Directors and the chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by Directors to be notified to the Company and the Stock Exchange.

# Directors' Report

## DISCLOSURE OF DIRECTORS' INTEREST IN SECURITIES (CONTINUED)

### Interests and short positions of the substantial shareholders and other persons in the shares, underlying shares and debentures of the Company and its associated corporations

Since the Listing Date and up to the date of this annual report, so far as it is known to the Directors, the following entities (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules or, (iii) who will be, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings.

| Name of Director                | Capacity/Nature of Interest | Number of Shares held/interested | Percentage of shareholding |
|---------------------------------|-----------------------------|----------------------------------|----------------------------|
| Platinum Lotus Holdings Limited | Beneficial owner (Note 1)   | 1,500,000,000<br>(Long position) | 75.0%                      |
| Ms. Dai Wing Yi Marjor (Note 2) | Interest of spouse          | 1,500,000,000<br>(Long position) | 75.0%                      |

Notes:

1. The shares are held by Platinum Lotus Holdings Limited, the equity interest of which is owned as to 100% by Mr. Chu Kwok Fun. Mr. Chu Kwok Fun is deemed to be interested in all the shares held by Platinum Lotus Holdings Limited for the purpose of Part XV of SFO.
2. Ms. Dai Wing Yi Marjor is the spouse of Mr. Chu and is deemed to be interested in all the Shares which Mr. Chu is deemed to be interested in by virtue of the SFO.

Save as disclosed above, since the Listing Date and up to the date of this annual report, the Directors have not been notified by any entity who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 March 2020, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Save as disclosed under the "Related Party Disclosures" in Note 29 to the Consolidated Financial Statements, there were no transaction, arrangement or contract of significance, to which the company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2020 or any time during the year ended 31 March 2020, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder of the Company or any of its subsidiaries.

During the year ended 31 March 2020, no transactions, arrangements and contract of significance for the provision of services to the Group by a controlling shareholder of the Company or any of its subsidiaries were made.

# Directors' Report

## CHARITABLE DONATIONS

During the year ended 31 March 2020, the Group made a donation of HK\$500,000 to the Community Chest of Hong Kong.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to articles of association of the Company, every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate directors' and officers' liability insurance in respect of legal actions against them arising out of corporate activities and such permitted indemnity provision for the benefit of the Directors currently in force.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2020, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 41.0% and 66.1% (2019: approximately 24.0% and 60.1%). Revenue attributable to the Group's largest customers and the five largest customers in aggregate accounted for approximately 27.7% and 84.8% (2019: approximately 26.1% and 80.9%) respectively of the Group's total revenue for the year ended 31 March 2020.

To the best of the Directors' knowledge, none of the Directors, their associates or any Shareholders who are interested in more than 5% of the issued share capital of the Company had any interests in the Group's five largest suppliers or customers.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

### Employees

Our Group considers our employees as the key to sustainable business growth and also recognises them as valuable assets. Further, in light of the shortage of skilled labour in the local construction industry, it is crucial to maintain a competitive remuneration package and fringe benefits for our potential and existing employees. In this regard, the Group provides comprehensive remuneration package includes salary, discretionary bonuses and other cash subsidies to attract, motivate and retain appropriate and suitable employees to serve the Group. In general, our Group determines employee salaries based on each employee's qualifications, experiences and position held. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. Our Group also provides on-the-job training and development opportunities to enhance employees' career development and learning.

### Customers

Our Group is aware of the risk of customer concentration, and has sought to reduce the reliance on a few major customers by undertaking more sizable projects for other customers. A summary of the customer concentration of the Group and the list of the Group's major customers were set out in the section headed "Business — Customer concentration" and "Business — Major customers" of the Prospectus, respectively.

Our Group believes that we have maintained a close relationship with our major customers. Besides, it is our priority to work with reputable customers, which in turn can create more opportunities to undertake sizeable projects. Working with these customers can allow us to secure future business opportunities with them and bolster our job reference.

Besides that, our Group has no intention to limit ourselves to serve our major customers and, with our presence in the industry, our Group believes that we are able to extend our services to other customers.

As such, our Group is of the view that, despite the customer concentration, our business model is sustainable.

# Directors' Report

## Suppliers and Sub-Contractors

Our Group has developed stable and strong working relationships with suppliers and sub-contractors to meet our Group's customers' needs in an effective and efficient manner. The Group works closely with the suppliers and sub-contractors to make sure the tendering, procurement and sub-contracting are conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to them before the commencement of projects.

## ENVIRONMENTAL POLICIES

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws of Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), and Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

In order to comply with the applicable environmental protection laws, we had implemented measures to mitigate the environmental impacts arising from air emissions, waste disposal, noise and resource consumption. Apart from complying with the environmental protection policies formulated and required by our customers, we have also established our own environmental management policy to assure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. During the year ended 31 March 2020, we did not incur any material costs on environmental compliance.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2020, as far as the Board and the management are aware, save as the non-compliance disclosed in the section headed "Business — Non-compliance with laws and regulations" in the Prospectus, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed minimum public float for its shares as required under the Listing Rules since the Listing Date to up to the date of this annual report.

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

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries since the Listing Date and up to the date of this annual report.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 March 2020 and up to the date of this annual report, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

# Directors' Report

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 29 to the Consolidated Financial Statements, and none of which constitutes a connected transaction as required to be disclosed as defined under the Listing Rules.

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

During the year ended 31 March 2020, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the Prospectus.

## SHARE OPTION SCHEME

Pursuant to the written resolutions of the then sole shareholder of the Company on 5 March 2020, the Company adopted a share option scheme (the **"Share Option Scheme"**) on 5 March 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarized in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which option granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders.

Options granted to substantial shareholders of the Company or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders of the Company, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days from of the day on which such offer was made, upon payment of HK\$1. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; and (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant.

The Share Option Scheme will remain in force for a period of ten years commencing on the Listing Date (i.e. 15 April 2020) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the adoption date of the Share Option Scheme and the date of this annual report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 200,000,000, representing 10% of the entire issued share capital of the Company.

# Directors' Report

## SHARE OPTION SCHEME (CONTINUED)

Other than the Company's Share Option Scheme as disclosed above, at no time during the year was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into for the year ended 31 March 2020.

## BANK BORROWINGS

Bank borrowings of the Group as at 31 March 2020 were approximately HK\$34.6 million (2019: approximately HK\$32.5 million).

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company or the Companies Laws of the Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to the existing shareholders of the Company.

## RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme are set out in Note 27 to the Consolidated Financial Statements.

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

Details of the Directors' remuneration and the five highest paid individuals are set out in the note 11 to the Consolidated Financial Statements.

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments since the Listing Date and up to the date of this annual report.

## EMOLUMENT POLICY

Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Scheme".

Details of the emoluments of the Directors and five highest paid individuals are set out in Note 11 to the Consolidated Financial Statements respectively. Details of the remuneration of senior management by band are set out in Note 11 to the Consolidated Financial Statements. Details of the retirement benefit scheme are set out in Note 27 to the Consolidated Financial Statements.

# Directors' Report

## CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 25 to 34 of this annual report.

## DISCLOSURES UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

As at 31 March 2020, the Group had no circumstances which would give rise to a disclosure obligation under Rule 13.20 to 13.22 of the Listing Rules.

## AUDIT COMMITTEE

The Company established an audit committee of the Company (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 5 March 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three independent non-executive Directors: Mr. Ma Tsz Chun, Ms. Leung Yin Fai and Ms. Yuen Wai Yee. Mr. Ma was appointed to serve as the chairman of the Audit Committee.

The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by the Board.

The Company's audited consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee on 29 June 2020. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 March 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## AUDITOR

Deloitte Touche Tohmatsu has acted as the auditor of the Group for the year ended 31 March 2020. The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu, who shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for their re-appointment as auditor for the coming year will be proposed at the forthcoming annual general meeting. There is no change in auditor since the date of the Listing.

By order of the Board

### **Chu Kwok Fun**

*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2020

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Company is committed in achieving a high level of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG code**”) contained in Appendix 14 to the Listing Rules. As the Shares were not listed on the Main Board of the Stock Exchange until 15 April 2020 (the “**Listing Date**”), the CG Code provisions were not applicable to the Company before the Listing Date. To the best of the knowledge of the Board, the Company has complied with the CG code since the Listing Date and up to the date of this annual report except where otherwise stated. The Directors will periodically review on the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code since the Listing Date and up to the date of this annual report.

## BOARD OF DIRECTORS

### Board Composition

As at the date of this annual report, the Board consists of five Directors including Mr. Chu Kwok Fun (Chairman) and Mr. Tsang Chiu Wan as the executive Directors and Ms. Leung Yin Fai, Mr. Ma Tsz Chun and Ms. Yuen Wai Yee as the independent non-executive Directors.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. Biographical details are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 11 to 14 of this annual report. There are no family or other material relationships among members of the Board.

The Board meets regularly to discuss and formulate the overall strategy as well as operation and financial performance of the Group. The company secretary of the Company (the “**Company Secretary**”) assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and regular board meetings should be held at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

As the Company was listed on 15 April 2020, the Board did not hold board meeting during the year ended 31 March 2020.

After the Listing Date and up to the date of this annual report, the Board held one board meeting to review the annual results of the Group for the year ended 31 March 2020, consider the payment of a final dividend and convene the forthcoming annual general meeting.

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

### Board Composition (Continued)

The attendance record of each Director at the board meeting and board committee meetings held after the Listing Date and up to the date of this annual report is set out in the table below:

|  | Attendance/Number of meetings |                 |                        |                      |                 |
|--|-------------------------------|-----------------|------------------------|----------------------|-----------------|
|  | Board Meeting                 | Audit Committee | Remuneration Committee | Nomination Committee | General meeting |
| <b>Executive Directors</b>                 |                               |                 |                        |                      |                 |
| Mr. Chu Kwok Fun                           | 1/1                           | –               | –                      | 1/1                  | –               |
| Mr. Tsang Chiu Wan                         | 1/1                           | –               | 1/1                    | –                    | –               |
| <b>Independent non-executive Directors</b> |                               |                 |                        |                      |                 |
| Ms. Leung Yin Fai                          | 1/1                           | 1/1             | 1/1                    | 1/1                  | –               |
| Mr. Ma Tsz Chun                            | 1/1                           | 1/1             | 1/1                    | 1/1                  | –               |
| Ms. Yuen Wai Yee                           | 1/1                           | 1/1             | 1/1                    | –                    | –               |

Since the Listing Date and up to the date of this annual report, the Board has at all times met the requirements of rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has three independent non-executive Directors and all of the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

The three independent non-executive Directors represent more than half of the Board, the proportion of which is higher than what is required by Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Each of the executive and independent non-executive Directors has signed an appointment contract with the Company for a period of about one to three years from the Listing Date and is subject to termination provisions therein and provisions on retirement by rotation and re-election of Directors as set out in the amended and restated memorandum and articles of association of the Company (the “**Articles**”).

The Company has received written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

The Board takes the responsibility collectively to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. To oversee particular aspects of the Company’s affairs, the Board has established three board committees, including the audit committee (the “**Audit Committee**”), the nomination committee (the “**Nomination Committee**”) and the remuneration committee (the “**Remuneration Committee**”) (together, the “**Board Committees**”).

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

### Board Composition (Continued)

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations, and are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

The Board has delegated to the management, consisting of executive Directors along with other senior executives, the responsibilities for implementing the strategy and direction adopted by the Board from time to time and conducting the day-to-day management and operations of the Group.

The Board has delegated to the Board Committees the responsibilities as set out in their respective terms of references. Further details of the Board Committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

### Chairman and Chief Executive Officer

Mr. Chu Kwok Fun ("**Mr. Chu**") is the Chairman and the Chief Executive Officer of the Company. Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Chu has held the key leadership position of our Group and has been deeply involved in the overall management, strategic planning and development of our business operation since its establishment, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Chu enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

Mr. Chu also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the directors to make active contribution in the Board's affairs and promoting a culture of openness and debate.

The Board is of the view that although Mr. Chu is both the Chairman and the Chief Executive Officer, the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

## BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 5 March 2020 which sets forth the objective and approach to achieve diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that the Company should endeavour to ensure that the board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy.

Pursuant to the Board Diversity Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

# Corporate Governance Report

## BOARD DIVERSITY POLICY (CONTINUED)

When identifying potential candidates to the Board, the Nomination Committee and the Board will, among others, (i) consider the current level of representation of women on the Board and senior management when making recommendations for nominees as well as succession planning to the Board of Directors and senior management; (ii) consider the criteria that promotes diversity by references to the code of practices on employment published by the Equal Opportunities Commission from time to time; and (iii) communicate the Board Diversity Policy to the Nomination Committee and encourage a cooperative approach to ensure diversity on the Board.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy annually to ensure its continued effectiveness.

## NOMINATION POLICY

The Board has adopted a nomination policy (the “**Nomination Policy**”) on 5 March 2020 which sets out the criteria and process in the nomination and appointment of directors of the Company, aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure the Board’s continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified/suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience, independence and gender diversity, the candidate’s willingness and ability to devote adequate time to discharge duties as a member of the Board.

For the appointment of directors, the Nomination Committee will first identify individual(s) suitably qualified to become board members and assesses the independence of the proposed independent non-executive director(s). Then, the Nomination Committee will make recommendation to the Board for the Board to consider, having regard to the Board Diversity Policy and the Nomination Policy. The Board will confirm the appointment of the suitable candidate or recommend the candidate to stand for election at a general meeting of the Company. The candidate(s) who is/are appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by Shareholders at the general meeting after initial appointment in accordance with the Articles.

For the re-appointment of directors, the Nomination Committee will also consider the retiring directors based on the Board Diversity Policy and the Nomination Policy, and assess the independence of independent non-executive Director(s) before the Nomination Committee makes recommendation to the Board to consider. After the Board considers each retiring director, the Board will recommend the suitable retiring director(s) to stand for re-election at the annual general meeting in accordance with the Articles. The Shareholders will approve the re-election of directors at the annual general meeting.

The Nomination Committee shall review the structure, size, composition (including skills, knowledge, experience and length of service) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

# Corporate Governance Report

## DIVIDEND POLICY

The Company has set up a dividend policy (the “**Dividend Policy**”) on 5 March 2020 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the results of operation, cash flows, financial condition, future business prospect, and other factors as the Board may deem appropriate at such time.

The declaration and payment of dividend by the Company is also subject to any constitutional documents of the Company and the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Articles. The declaration and payment of future dividend under the Dividend Policy are subject to the Board’s determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director’s responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

As the shares of the Company were not listed on the Main Board of the Stock Exchange until 15 April 2020, the CG Code provisions were not applicable to the Company before the Listing Date. Nevertheless, all Directors have participated in continuous professional development such as a director training lesson organised by qualified professionals during the financial year ended 31 March 2020 to develop and refresh their knowledge and skills in relation to their contribution to the Board.

## BOARD COMMITTEES

### Audit Committee

The Company established the Audit Committee on 5 March 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by the Board. The terms of reference of the Audit Committee are available at the Company’s website and on the website of The Stock Exchange of Hong Kong Limited.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Ma Tsz Chun, Ms. Leung Yin Fai, and Ms. Yuen Wai Yee. Mr. Ma Tsz Chun currently serves as the chairman of the Audit Committee.

# Corporate Governance Report

## BOARD COMMITTEES (CONTINUED)

### Audit Committee (Continued)

During the year ended 31 March 2020, the Audit Committee has not held any meetings as the Company was listed on 15 April 2020. Subsequent to the Listing Date and up to the date of this annual report, the Audit Committee has held one meeting and performed the following works:

- (a) reviewed the Group's annual audited consolidated financial statements for the year ended 31 March 2020;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the external auditor of the Group, and the terms of engagement.

The Company's annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee.

There had been no disagreement between the Board and the Audit Committee.

### Remuneration Committee

The Company established the Remuneration Committee on 5 March 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of our Directors and senior management and ensure none of Directors determines his/her own remuneration.

The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The Remuneration Committee consists of four members, namely Ms. Leung Yin Fai, Mr. Tsang Chiu Wan, Mr. Ma Tsz Chun and Ms. Yuen Wai Yee. Ms. Leung Yin Fai currently serves as the chairlady of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

During the year ended 31 March 2020, the Remuneration Committee has not held any meetings as the Company was listed on 15 April 2020. Subsequent to the Listing Date and up to the date of this annual report, the Remuneration Committee has held one meeting for reviewing the remuneration packages of the executive Directors and independent non-executive Directors and the performance of them since the Listing of the Company.

# Corporate Governance Report

## BOARD COMMITTEES (CONTINUED)

### Remuneration Committee (Continued)

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 March 2020 are as follows:

|                             | <b>Number of<br/>employee(s)</b> |
|-----------------------------|----------------------------------|
| Not exceeding HK\$1,000,000 | 4                                |

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 11 to the Consolidated Financial Statements.

### Nomination Committee

The Company established the Nomination Committee on 5 March 2020 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, and Board Diversity Policy to assess the independence of independent non-executive Directors, and select or make recommendations on the selection of individuals nominated for directorships.

The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The Nomination Committee consists of three members, namely Mr. Chu Kwok Fun, Mr. Ma Tsz Chun and Ms. Leung Yin Fai. Mr. Chu Kwok Fun currently serves as the chairman of the Nomination Committee.

During the year ended 31 March 2020, the Nomination Committee has not held any meetings as the Company was listed on 15 April 2020. Subsequent to the Listing Date and up to the date of this annual report, the Nomination Committee has held one meeting for reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring directors standing for election at the forthcoming annual general meeting of the Company, reviewing the structure, size, and composition of the Board and reviewing the Board Diversity Policy and the Nomination Policy.

The Nomination Committee considered that the non-executive directors are independent and the aforesaid policies have been maintained up to the date of this annual report.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As at the date of this annual report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

# Corporate Governance Report

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2020 in accordance with statutory requirements, the Listing Rules and applicable accounting standards. The Directors are not aware of any material uncertainty that may cause significant doubt upon the Group's ability to continue as a going concern.

The statements of the independent auditor of the Group about their reporting responsibilities on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 55 to 59 of this annual report.

## EXTERNAL AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been appointed as the external auditor of the Company. For the year ended 31 March 2020, the remunerations paid or payable to the external auditor, Deloitte Touche Tohmatsu in respect of its audit services are approximately HK\$1.3 million. There was no remuneration for non-audit services. The audit services of approximately HK\$1.3 million and approximately HK\$3.3 million being the annual audit fee for the year ended 31 March 2020 and being the audit fee of the consolidated financial statements of the Group for the three years ended 31 March 2017, 2018 and 2019 and six months ended 30 September 2019 in connection with the Listing of the Company were incurred respectively. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

## COMPLIANCE ADVISER

The Company appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by the Group, including but not limited to share issues and share repurchases;
- (3) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in the Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in the Prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of this appointment of the compliance adviser shall commence on the Listing Date and is expected to end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

# Corporate Governance Report

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has the responsibility to maintain effective internal control systems and risk management in order to safeguard the Group's assets and investments and the Shareholders' interest and conduct a review on an ongoing basis annually. The Board acknowledges that such internal control systems and risk management are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board conducted review of the effectiveness of the internal control systems and risk managements of the Company in respect of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee.

During the year ended 31 March 2020, the Group engaged an external consultant (the "**Consultant**") to review the effectiveness of the risk management and internal control system, who worked closely with the Group to identify risk components and risk owners in different aspects through interviews with and workshops provided to the Group's management. Also, the Consultant assisted the Group to evaluate the adequacy of the existing mitigation plans. Last but not least, findings and recommendations resulting from the review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's internal control systems and risk managements were in place and effective.

## COMPANY SECRETARY

The company secretary of the Company is responsible for, among others, ensuring that Board policies and procedures are followed. All Directors have access to the company secretary's advice and services. The company secretary undertook no less than 15 hours of relevant professional training and complied with all the required qualifications, experience and training requirements of the Listing Rules for the year ended 31 March 2020.

## INSIDE INFORMATION POLICY

The Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognises the importance of timely disclosure of information, which will enable Shareholders and potential investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website of [www.lotushorizonholdings.com](http://www.lotushorizonholdings.com); where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group including annual and interim reports, announcements and other corporate communications which will be sent to Shareholders and/or published are updated on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website in a timely fashion.

The forthcoming annual general meeting of the Company will be held on Friday, 11 September 2020. The notice of the annual general meeting, setting out details of each proposed resolutions and other relevant information, will be sent to Shareholders at least 21 days before the annual general meeting.

## SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, an extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles or the Cayman Islands Company Law for Shareholders to move new resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

## ENQUIRIES TO THE BOARD

Shareholders may send their enquiries or requests to the Board through the Company's principal place of business in Hong Kong at 21/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong (email: [info@icglw.com](mailto:info@icglw.com)).

## CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents since the Listing Date and up to the date of this annual report. The Articles is available on the websites of the Company and the Stock Exchange.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS ESG REPORT

Lotus Horizon Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”, we or us) is delighted to publish the first Environmental, Social and Governance (the “**ESG**”) Report (the “**ESG Report**”) to summarise the Group’s policies, measures and performance on the key ESG issues.

### Reporting Period

This ESG Report covers information from 1 April 2019 to 31 March 2020 (the “**reporting period**”).

### Reporting Scope and Boundary

The information of this ESG Report covers the core and material business of the Group, namely provision of design, supply, and installation services for facade works and building metal finishing works projects in Hong Kong, which are operated by our wholly-owned subsidiary, ICGL Technical Works (HK) Limited (“**ICGL (Hong Kong)**”). While this ESG Report does not cover all the Group’s operations, the Group aims to improve its internal data collection mechanism and gradually expand the scope of the disclosure.

### Reporting Basis and Principle

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company has complied with all “comply or explain” provisions set out in the ESG Reporting Guide and followed the following reporting principles in the preparation of this ESG Report: materiality, quantitative, balance and consistency.

- **Materiality**

The Group determines ESG issues that are significantly important by stakeholder engagement and materiality assessment. Details are explained in the sections headed “Stakeholder Engagement” and “Materiality Assessment” of this ESG Report.

- **Quantitative**

Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- **Balance**

This ESG Report identifies the achievements and challenges faced by the Group.

- **Consistency**

This ESG Report is the first ESG report of the Group. This ESG Report will use consistent methodologies for meaningful comparisons in the following years unless improvements in methodology are identified.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s internal management systems. This ESG Report is prepared and published in both Chinese and English at the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website (<http://www.lotushorizonholdings.com>). In the event of contradiction or inconsistency between the Chinese version and the English version, the English version shall prevail.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## BOARD STATEMENT

Dear Stakeholders:

On behalf of the Board (the “**Board**”) of Directors (the “**Director(s)**”) of the Company, I hereby present to you the ESG Report for the year ended 31 March 2020, providing an overview of the Group’s management on significant ESG issues that have impacts on the operation.

The Board has always been committed to promoting sustainable development and implementing ESG policies and measures across departments continuously. The Board enjoins senior management and external independent consultant to identify, monitor and review ESG-related risks, and is committed to maintaining a high level of corporate governance. We will lead our departments to implement related policies and measures, and continuously optimise the Group’s sustainable development strategies and performance.

Stakeholder engagement is an indispensable part of sustainable strategies. It helps us respond to existing and potential risks and opportunities in the market, and it is also the basis for strategy formulation and decision making. In addition to daily communication with stakeholders, we conducted a materiality assessment during the reporting period and invited major stakeholders to prioritise the identified issues in the form of a survey to determine the most concerning ESG issues, thereby adjusting resource allocation and formulating more appropriate policies and measures to respond to the needs and expectations of stakeholders and make this ESG Report more targeted.

The operational activities of the Group inevitably cause direct or indirect environmental impacts. We advocate waste reduction and improving the efficiency of resource use in our business operations, based on the interests of stakeholders. In order to promote the sustainable development of the Group, we continue to strengthen our safety management system to ensure the safety and health of our employees at work. We recognise the importance of managing environmental and social impacts of the supply chain, protect the interests of the local communities in which we operate, and ensure that all operating units comply with local laws and regulations.

Looking ahead, the Group will adhere to the pursuit of a better society, commit itself to the common prosperity of enterprises, society and the environment, create a win-win situation for all stakeholders, and continue to be a force for social stability and upward improvement.

**Lotus Horizon Holdings Limited**

**Chu Kwok Fun**

*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG GOVERNANCE STRUCTURE

The Board supports the Group's commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group's ESG strategy and reporting. The Board oversees the ESG strategies, policies, objectives and targets. The Board has delegated the day-to-day responsibility of the implementation to the senior management and department heads. Senior management advises and supports the Board on ESG matters, strategies, policies, manage and monitor ESG performance and targets. Departments implement ESG policies and related initiatives. The Board regularly reviews the Group's ESG performance and examines and approves the Group's annual ESG report.

## STAKEHOLDER ENGAGEMENT

The Group understands the concerns of its stakeholders through day-to-day communications. Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. They help the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhance the ability to identify risk and strengthen important relationships. The Group communicates with its stakeholders through various channels, shown as below.

| <b>Stakeholders</b>                                    | <b>Communication Channels</b>   |
|--|---|
| Government and regulatory agencies                     | <ul style="list-style-type: none"><li>• Annual reports, interim reports, ESG reports and other public information</li></ul>   |
| Shareholders and investors                             | <ul style="list-style-type: none"><li>• Annual general meetings and other general meetings of shareholders</li><li>• Company website</li><li>• Press releases/announcements</li><li>• Annual reports, interim reports, ESG reports and other public information</li></ul> |
| Employees  | <ul style="list-style-type: none"><li>• Training</li><li>• Meetings</li><li>• Performance evaluation</li><li>• Survey</li><li>• Staff engagement and voluntary activities</li><li>• Internal portal</li></ul>   |
| Customers  | <ul style="list-style-type: none"><li>• Email, phone, conference</li></ul>  |
| Suppliers/subcontractors/<br>business partners         | <ul style="list-style-type: none"><li>• Email</li><li>• Phone</li><li>• Conference</li><li>• Company visit</li><li>• Discussion group</li><li>• Questionnaire</li></ul>   |
| Community and non-governmental<br>organisations (NGOs) | <ul style="list-style-type: none"><li>• Sponsorship and donation</li><li>• ESG Reports</li></ul>  |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

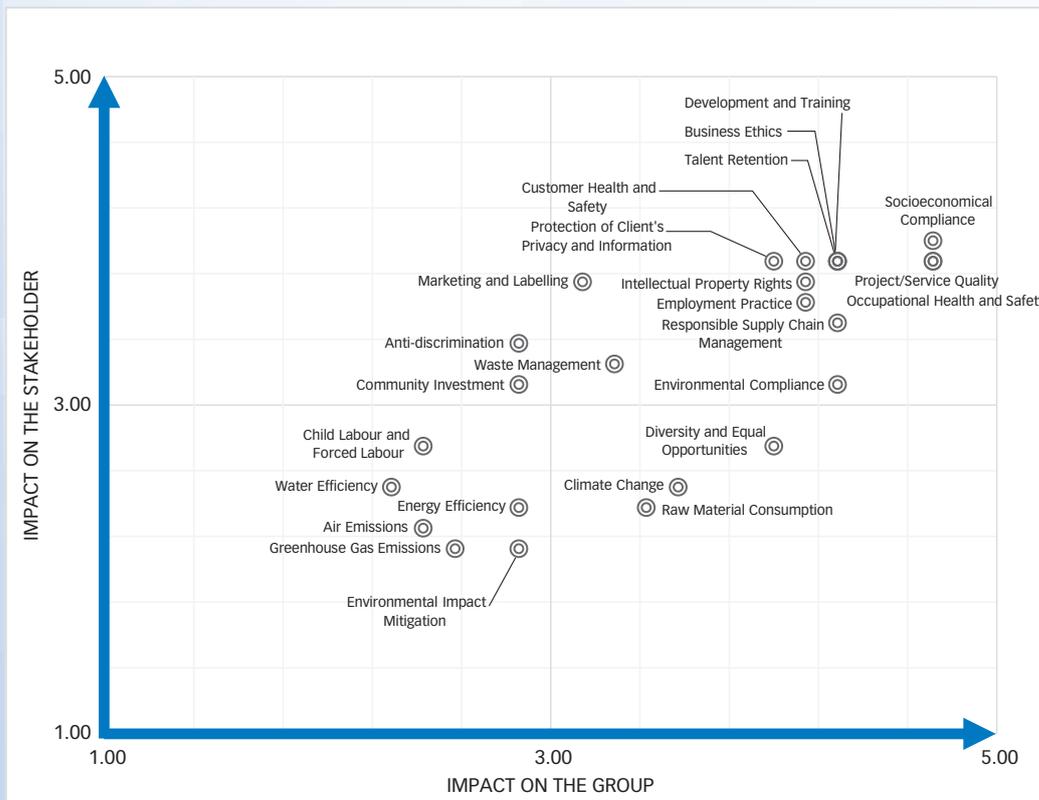
## MATERIALITY ASSESSMENT

In preparing this ESG Report, we engaged with different stakeholder groups as part of the materiality assessment process to identify and prioritise ESG issues to be covered in this ESG Report that have a significant impact on the Group and stakeholders. The materiality assessment process is as follows:

1. We compiled a list of ESG issues and grouped them into four categories: Environment, Employment and Labour Practices, Operating Practices and Community.
2. An online survey was conducted to rate the importance of each issue from the perspective of a stakeholder group and the Group, using a scale of 1 to 5. A materiality matrix was developed based on the scores of the survey, the threshold for materiality (i.e. at a score of 3) was set and a list of ESG issues was prioritised.
3. Management reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of 3 or above from the perspective of a stakeholder and the Group, were prioritised as the most important ESG issues for the Group to address and report on.

Based on the materiality matrix, we believe the most pertinent ESG issues include the following:

|                              |  |                         |                                     |                          |                         |                                   |
|------------------------------|--|-------------------------|-------------------------------------|--------------------------|-------------------------|-----------------------------------|
| Socioeconomical Compliance   | Occupational Health and Safety                 | Project/Service Quality | Talent Retention                    | Development and Training | Business Ethics         | Customer Health and Safety        |
| Intellectual Property Rights | Protection of Client's Privacy and Information | Employment Practice     | Responsible Supply Chain Management | Environmental Compliance | Marketing and Labelling | Diversity and Equal Opportunities |



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUBJECT AREA A: ENVIRONMENTAL

### Policies

Our environmental policy demonstrates our commitment to deliver our services with no significant and adverse impact on the environment and to ensure that our operations are in compliance with the relevant environmental requirements pursuant to the laws and regulations of Hong Kong. It sets out the management approaches on air emissions, wastes management, noise control and resource utilisation.

### Compliance Information

Our projects are subject to certain environmental requirements pursuant to the laws and regulations in Hong Kong, including but not limited to Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), and Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

Any non-compliance with these laws and regulations may impose impacts on our business operations and financial performance. The Group continues to improve our environmental management. During the reporting period, to the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard.

## A1. Emissions

### Air Emissions

Our business operations do not generate any significant air pollutants as we do not consume fossil fuel for equipment for site installation works, and the level of dust generated during the installation process is insignificant and is not measurable independently from other sources of air pollution at the construction sites. Nonetheless, we are committed to reducing air pollution by requiring our subcontractors to use electrical-powered machines, such as scissor lift, cherry picker, boom lift, and air compressor, during on-site installation so as to reduce the level of air pollutant emission.

### Climate Change and Greenhouse Gas (GHG) Emissions

In response to the community's gradual concern on greenhouse gas ("GHG") emissions, climate change and other related issues, the Group collected information to calculate the GHG emissions generated from our operations. During the reporting period, the total GHG emissions were 37.86 tonnes of carbon dioxide equivalent (tonnes CO<sub>2</sub>-e), resulting in GHG emissions intensities of 0.01 tonnes CO<sub>2</sub>-e per square foot (sq. ft.) and 0.82 tonnes CO<sub>2</sub>-e per employee, respectively. The GHG emissions were incurred from electricity consumption of our offices only.

### GHG Emissions<sup>1</sup> For The Year Ended 31 March

|                         | Unit   | 2020  |
|-------------------------|--|-------|
| Scope 1 <sup>2</sup>    | tonnes CO <sub>2</sub> -e                    | 0     |
| Scope 2 <sup>3</sup>    | tonnes CO <sub>2</sub> -e                    | 37.86 |
| Total GHG emissions     | tonnes CO <sub>2</sub> -e                    | 37.86 |
| GHG emissions intensity | tonnes CO <sub>2</sub> -e/sq.ft <sup>4</sup> | 0.01  |
| GHG emissions intensity | tonnes CO <sub>2</sub> -e/employee           | 0.82  |

The Group will continue to record and disclose its GHG emissions annually. The Group will refine the data collection system and develop reduction strategy if appropriate based on the projection of data in the coming years.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Waste Management

Either the main contractor or we will engage subcontractors to handle the disposal of waste building materials during the site installation stage. While handling the construction wastes, we require our subcontractors to: (a) ensure the disposal of the wastes at licensed landfill sites; (b) use authorised or licensed wastes collectors (including chemical wastes); (c) handle and store waste in a secured manner to avoid pollution or contamination by wastes; (d) maintain and clean waste storage areas regularly; (e) refrain from littering on site (both on land or sea); (f) ensure waste collectors to cover trucks with impervious sheeting or transport waste in enclosed containers to minimise dust generation during transportation; and (g) maintain trip tickets record.

During the reporting period, in general, the main contractors were responsible for arranging waste disposal in the projects undertaken by us, and we were responsible for the handling charges by way of contra-charge or making direct payments by us. Therefore, we were not able to obtain the data for wastes disposal in projects undertaken by us during the reporting period. Moving forward, we will maintain a record for projects that we are responsible for waste disposal.

## Noise Control

The main contractors will apply the noise permits for the construction works involving (a) erection or dismantling of scaffolding; (b) loading, unloading or handling of rubble wooden boards, steel bars, wood or scaffolding material; (c) hammering; and (d) other works that create noise works from 7:00 p.m. to 7:00 a.m. on weekdays and any time on Sundays and public holidays if the project progress requires us to continue the site installation work on these days. In order to minimise noise pollution, our environmental policy requires us and our subcontractors to (a) select low noise generating equipment whenever possible, for example, hand-held tools such as drill, grinder and welding machine, for the site installation works; (b) avoid performing noisy works during the restricted days and hours; and (c) shut down plants and machinery if they are not in use.

<sup>1</sup> The calculation of greenhouse gas emissions is made reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department, the 2019 sustainability report published by the CLP Power Hong Kong Limited.

<sup>2</sup> Scope 1 refers to direct emission from the business operations owned or controlled by the Group, such as emissions from fossil fuel burnt on site.

<sup>3</sup> Scope 2 refers to "indirect energy" emissions from the internal purchased electricity consumption by the Group.

<sup>4</sup> The total area of offices of the Group was 6,265.00 square feet as of 31 March 2020.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A2. Use of Resources

Minimising the consumption of resources is one of the key considerations in our operations. Energy consumption is mainly derived from electricity consumption from our offices as we do not consume fossil fuel in our operations. Water is supplied to our office building by municipal water supply and we do not have any issue in sourcing water. Our Directors consider that our water consumption is minimal as most of our operations are conducted at our offices, as compared to factories or other construction companies. For installation works at construction sites, energy and water consumption are managed by main contractors. Therefore, the corresponding energy and water consumption data are not available.

### Energy Efficiency

We implement measures to reduce electricity consumption at sites including but not limited to: (a) shut off mains-powered plant and equipment when not in use; (b) select energy-efficient plant and equipment, and (c) reduce non-essential load.

In the offices, we control our electricity consumption through the following: (a) setting energy-saving mode for computers where possible, (b) setting room temperature range from 20°C to 25.5°C; and (c) switching off unnecessary lighting, power supply.

During the reporting period, the total energy consumption was 75,719 kilowatt-hour(s) (kWh), resulting in energy consumption intensities of 12.09 kWh per sq.ft. and 1,646.07 kWh per employee respectively. The energy consumption was incurred by purchased electricity consumption of our offices.

### Energy Consumption For The Year Ended 31 March

|                              | Unit         | 2020      |
|------------------------------|--------------|-----------|
| Electricity                  | kWh          | 75,719.00 |
| Total energy consumption     | kWh          | 75,719.00 |
| Energy consumption intensity | kWh/sq.ft    | 12.09     |
| Energy consumption intensity | kWh/employee | 1,646.07  |

The Group will continue to assess record and disclose our energy consumption annually. The Group will refine the data collection system and develop reduction strategy if appropriate based on the projection of data in the coming years.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Raw Material

Aluminium, steel and glass are the major types of raw materials for our operations. In view of the business nature of the Group, there is no packaging material consumption by the Group. To save the consumption of raw material and saving costs, we implement measures as follows, including but not limited to (a) ensure materials are handled and stored in good conditions to prevent deterioration and wastage; (b) ensure materials are not over-applied; and (c) influence subcontractors to take away and reuse surplus material in the same or other projects.

During the reporting period, the raw material purchased is as follows.

## Raw Material Purchased<sup>5</sup> For The Year Ended 31 March

|           | Unit          | 2020    |
|-----------|---------------|---------|
| Aluminium | kg            | 444,199 |
| Steel     | kg            | 669,361 |
| Glass     | square meters | 18,077  |

## A3. The Environment and Natural Resources

The major environmental impacts of our operations include air pollution, wastes management, noise and resource utilisation. The significance of these impacts is identified and evaluated according to legal requirement, environmental consequence, and uses of material and company concerns. We will assess the implications and requirements of the environmental protection laws and regulations and apply for necessary permits (if applicable) to conduct its work. We have adopted several measures for these environmental focus areas as mentioned in the above sections.

To promote environmental protection in our operations, we actively participate in green building projects. During the reporting period, one of our projects, the Chai Wan Campus for the Technological and Higher Education Institute of Hong Kong (THEi), Hong Kong, attained the BEAM Plus<sup>6</sup> Provisional Platinum Rating. We engaged in the design, supply, and installation of both the curtain wall system and the steel-framed structure of the project.

<sup>5</sup> Data was estimated based on the internal financial records.

<sup>6</sup> BEAM Plus is the Hong Kong's leading initiative to offer independent assessments of building sustainability performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUBJECT AREA B. SOCIAL

### Employment and Labour Practice

#### B1. Employment

##### *Policies*

Staffs are one of the critical success factors in our vision and ambition to hold a leading and reputable position in the industry and society. The quality of our staff is a determining factor for our success, and this holds for both technical and support staff of all levels. Our Employee Handbook sets out the details on remuneration, dismissal, recruitment, promotion, working hours, rest periods, diversity, equal opportunities and anti-discrimination. Our Human Resource Management Policy outlines our management approaches on recruitment, dismissal, remuneration and other benefits.

##### *Recruitment, promotion and dismissal*

The Group adopts the principles of fairness, impartiality and openness, and recruits outstanding and suitable talents. Anyone who has certain professional knowledge and who loves the work of the Group, who passes the assessment can meet the requirements for employment, is welcomed to be part of our family.

The Group values the personal growth and progress of the employees because the future of the Group depends on the success of our employees. We provide employees with smooth and sustainable career development. We value the professional competence of our staff and use this as a professional planner's professional development' to build a professional team. The dismissal procedure strictly follows the related laws and regulations in Hong Kong.

##### *Remuneration and compensation*

To attract and retain talents, the Group offers a competitive remuneration package with a variety of benefits, including but not limited to discretionary bonus, Mandatory Provident Fund Schemes, medical insurance, education reimbursement.

##### *Rest period and working hours*

All employees are entitled to public or statutory holidays as announced in The Government of Hong Kong Special Administrative Region Gazette each year, as well as reasonable working hours and rest periods. In addition to those holidays, employees are entitled to annual leave, sick leave, maternity/paternity leave, marriage leave, compassionate leave, etc.

##### *Equal opportunity, diversity and anti-discrimination*

The Group is committed to provide a fair and equal working environment for all employees, ensure employees are treated equally in every aspect of their jobs. The Group recognises and embraces the benefits of having a diversified workforce to enhance the quality of its performance. Diversity is the value incorporated in recruitment practices. We are committed to providing a discrimination-free working environment. The values of diversity, equal opportunities and anti-discrimination, apply to all aspects in employment practices including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development, suspension, etc.

##### *Other benefits or welfare*

To create a friendly and caring working environment to our employees, we launch different staff activities to cultivate self-confidence, sense of belongings and cohesion of employees. During the reporting period, we organised Christmas Lunch, Chinese New Year Lunch etc.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Compliance Information

The Group strictly abides by related laws and regulations, including but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong), Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

A breach of these ordinances can result in civil and/or criminal ramifications and significant impact on the Group's relationship with its workforce. During the reporting period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard.

Our employee profile and employee turnover rate are as follows.

### Employee Profile<sup>7</sup> As Of 31 March

|                        | 2020      |
|------------------------|-----------|
| By Gender              |           |
| • Male                 | 34        |
| • Female               | 12        |
| By Age Group           |           |
| • Below 30             | 7         |
| • 30–50                | 26        |
| • Over 50              | 13        |
| By Employment Type     |           |
| • Full time            | 46        |
| • Part-time            | 0         |
| By Geographical Region |           |
| • Hong Kong            | 46        |
| <b>Total</b>           | <b>46</b> |

### Employee Turnover<sup>8</sup> For The Year Ended 31 March

|                        | 2020<br>% |
|------------------------|-----------|
| By Gender              |           |
| • Male                 | 18        |
| • Female               | 25        |
| By Age Group           |           |
| • Below 30             | 57        |
| • 30–50                | 15        |
| • Over 50              | 8         |
| By Geographical Region |           |
| • Hong Kong            | 20        |
| <b>Overall</b>         | <b>20</b> |

<sup>7</sup> It includes the employees of the Group only. Workers of the subcontractors are excluded.

<sup>8</sup> Turnover rate = Total number of employees left during the reporting period/Total number of employees at the end of the reporting period

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B2. Health and Safety

### *Policies*

The Group is committed to safeguarding the safety, health and welfare of all employees, workers, and persons including subcontractors and the general public likely to be affected by the normal operations. To achieve our commitment, we maintain a high standard regarding safety and health. Our Industrial Safety Policy aims to ensure that all of our employees and our sub-contractors' workers under our responsibility are working safely at the site area. On the other hand, any potential risks thereon arising can be mitigated or eliminated through the implementation of various measures so that the interests of the Group can be protected and safeguarded.

### *Compliance Information*

Our projects are subject to certain safety and health requirements pursuant to the laws and regulations in Hong Kong, including but not limited to Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the "**FIU Ordinance**"), Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) (FIU(SM)R) and Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong).

During the reporting period, there were 2 cases of ongoing litigations which were due to the workers' failure to follow the safety instruction from the subcontractors. These incidents have no significant impacts on the validity or renewal of the Group's qualification and licenses. We will continue our efforts to raise safety awareness amongst our stakeholders and to ensure that we learn from these incidents to prevent a reoccurrence.

### *Safety Management System Audit and Review*

Pursuant to the FIU(SM)R, we are required to implement a safety management system and carry out safety audits or safety reviews of our safety management system, depending on the number of workers working at the construction sites and the contract values of our projects.

During the reporting period, we were required to conduct safety reviews and safety audits on ICGI and certain projects are undertaken by it as required by FIU(SM)R. We had engaged an independent safety auditor and conducted all the necessary safety reviews and safety audits for the relevant projects. These safety reviews and safety audit reports revealed that we had maintained a good safety management standard and there was no material finding of non-compliance with the FIU(SM)R in relation to our safety management system.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Occupational Health and Safety System**

### *Organisation*

Our safety management system is monitored and implemented by our safety supervisors. As at the end of the reporting period, we had 14 safety supervisors. We generally assign at least one safety supervisor to each project to monitor our safety management system. Our safety supervisors conduct regular internal safety inspections to ensure our operations are conducted in such manner as to reduce the risks to persons and properties.

### *Planning and Implementation*

We adopt a preventive approach with an emphasis on hazard management and risk assessment. We conduct internal risk assessment and review regularly. We aim to control our risk level by identifying risks and hazards in the course of execution of projects and provide training and supervision to enhance awareness of hazards and to get prepared for contingency conditions.

We have developed and maintained a safety management system for our operation where records of non-compliance with safety procedure and remedial measures are properly managed and reviewed. We have adopted an internal safety manual highlighting the general rules and regulations applicable to our site operations. We also require the strict implementation of our safety system with supervision by us or the management staff of our subcontractors.

### *Safety Education*

We conduct safety induction training for our new employees and subcontractors. Our subcontractors are required to provide safety and protective equipment, such as fall arresters and safety boots, to the workers. Our safety supervisor also ensures that all personnel wear protective equipment at the worksite.

We disseminate occupational health and safety information to employees, visitors and contractors and conduct briefings on occupational health and safety on a regular basis. We provide safety training to all of the workers at the sites for safety regulations compliance.

### *Subcontractors Communication*

We require our subcontractors to abide by all relevant legislations, codes and guidelines as well as all safety requirements as stated in our safety manuals and project safety plans and to comply with all current and future enactments relating to their works. When selecting the subcontractors, we will take into consideration their safety standards, which include evaluating their safety management system, track record on safety and safety training records. Penalties will be deducted from the fees payable to the subcontractors for any failure by the subcontractor to implement our internal safety guidelines.

We hold regular meetings with our subcontractors to follow up on any safety measures in the course of execution of the projects. We also evaluate the safety measures regularly to improve safety control. Subcontractors who failed to follow the safety measures and refused or failed to rectify will be removed from our approved list of subcontractors.

### *Evaluation*

All workplace incidents should be reported immediately to the relevant project managers and our executive directors and senior management subsequently. The incident should be reported with requisite further information on the incident, including the date and time of the incident, place of incident and name of the injured. An investigation is to be carried out and corrective actions should be implemented for monitoring occupational hazards in future.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Office Safety

We also implement measures to ensure the health and safety of employees at offices. For example, (a) first aid kit and fire extinguishers are equipped at offices; (b) pest control is conducted annually and (c) offices are cleaned and the garbage is handled regularly by designated personnel to maintain the hygiene of the offices.

### Response to COVID-19 Pandemic

The challenges arising from the COVID-19 pandemic are unprecedented. To reduce the risk of infection and the spread of the virus in the workplace, we have required all staff to wear masks at offices and have provided hand sanitizer.

### Safety Performance

Despite the fact that we have a comprehensive safety management system together with various safety control measures to mitigate safety risks, the occurrence of accidents or injuries to workers on our sites is not uncommon due to the nature of the works of the building construction industry. During the reporting period, our performance relating to occupational health and safety are as follows.

### Safety Performance For The Year Ended 31 March

|  | 2020 |
|--|------|
| Number of fatalities                           | 0    |
| Fatalities rate per 1,000 workers <sup>9</sup> | 0.00 |
| Lost days due to injuries                      | 329  |

The Group continues to review the existing occupational health and safety management system and elevate the safety awareness of the employees and subcontractors. During the reporting period, our subsidiary, ICGL (Hong Kong) and its employees were awarded multiple certifications and awards by its main contractors, which illustrated the Group's efforts in maintaining high health and safety standards in the workplace.

<sup>9</sup> Fatality rate per 1,000 workers = (Number of fatality/Number of staff members and site workers) x 1,000

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B3. Development and Training

### Policies

As stipulated in our Staff Training Policy, we keep all staff equipped with up-to-date professional knowledge and technical skills required to support the Group's objectives. We encourage their participation in various training courses and programs to enhance job efficiency and continuous improvement.

We support the training and development of our employees. Reimbursement of the training fee will be paid to all employees in accordance with the terms of our Staff Training Policy as well as upon the approval of senior project managers, general manager and director.

We provide on-the-job training for our new staff. We also encourage our staff to attend various training courses organised by third-party course providers. We have also provided specific site training to our site personnel in respect of the management of quality, environmental protection, health and safety matters.

During the reporting period, our employees participated in various training, including but not limited to Occupational Safety and Health Supervisors Courses, Green Card Renewal Course, Technically Competent Person T1 Training Course, Safety Training Course for Certified Worker of Confined Space Operation, Zero Harm Induction Training and Directors' Training.

### Performance

The Group had a total of 24 employees received training and completed a total of 846 training hours during the reporting period. The percentage of the employee trained, and the average training hours completed per employee are as follows.<sup>10</sup>

#### Percentage Of Employee Trained For The Year Ended 31 March<sup>11</sup>

|                        | 2020      |
|------------------------|-----------|
|                        | %         |
| By Gender              |           |
| • Male                 | 65        |
| • Female               | 17        |
| By Employment Category |           |
| • Senior Management    | 100       |
| • Middle Management    | 41        |
| • General Staff        | 48        |
| <b>Overall</b>         | <b>52</b> |

#### Average Training Hours For The Year Ended 31 March<sup>12</sup>

|                        | 2020           |
|------------------------|----------------|
|                        | hours/employee |
| By Gender              |                |
| • Male                 | 23.18          |
| • Female               | 4.83           |
| By Employment Category |                |
| • Senior Management    | 5.17           |
| • Middle Management    | 5.35           |
| • General Staff        | 31.48          |
| <b>Overall</b>         | <b>18.39</b>   |

<sup>10</sup> Data for Competence Person (Non-track) Training and AutoCAD trainings are excluded.

<sup>11</sup> Percentage of trained employee = Total number of employees received training during the reporting period/Total number of employees

<sup>12</sup> Average training hours = Total training hours during the reporting period/Total number of employees

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **B4. Labour Standards**

### ***Policies***

The Group prohibits any form of child labour, forced labour and illegal labour. Our major business activities are carried out in Hong Kong and our suppliers do not involve in labour-intensive activities such as manufacturing in general. To the best of our Directors' knowledge, there is no operations or suppliers considered to have significant risk for incidents of child or forced labour in terms of types of business activities and operating locations.

In our recruitment process, our human resource department will inspect and take a copy of the original of a candidate's Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong. We also installed the required identification checking device onsite to prevent illegal workers from working in the sites.

### ***Compliance Information***

The Group strictly abides the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) and other laws and regulations relating to employment as stated in the section headed "B1. Employment" in this ESG Report. During the reporting period, to the best of Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Operating Practice

### B5. Supply Chain Management

#### ***Policies***

The Group works closely with our suppliers and subcontractors who are committed to high quality, environmental, health and safety standards. To manage the environmental and social risks of our suppliers and subcontractors, we formulate internal policies and procedures, such as Management of Subcontracting and Procurement Policy to set out the selection and evaluation of suppliers and subcontractors. As part of our environmental policy, we prefer engaging suppliers in producing environmentally friendly products (e.g. manufacturers that use eco-friendly coating on their products).

#### ***Supplier Management***

Our suppliers include suppliers for (a) building materials used in our design, supply, and installation projects, such as aluminium, steel products, and glass; (b) material fabrication or processing services; and (c) providers of other miscellaneous services such as transportation, rental of machinery and equipment, and laboratory testing services.

#### *Supplier Selection*

We maintain an approved list of suppliers. In selecting our suppliers, we will assess their quotation, project credentials and capability, the scale of operation, our business history with them, and the time required to provide and deliver the required materials or services. We also review and update our approved list of suppliers from time to time. Our project engineers will examine the quantity and quality of the materials ordered and ensure that the delivery can meet our project schedules.

#### *Supplier Evaluation*

After completion of the project, our project manager will assess the performance of our suppliers based on, among others, their (a) ability to meet the delivery schedules; (b) ability to meet the test requirements; (c) response to our instructions; (d) ability to honour warranties and guarantees; (e) commitment of management; (f) quality of goods and services; and (g) cost competitiveness etc.

#### ***Subcontractor Management***

Our subcontractors include subcontractors for (a) on-site installation works and (b) the lease of machinery and equipment. It is industry practice in Hong Kong for facade works and building metal finishing works contractors to engage specialised subcontractors for on-site installation works. These subcontractors have their own labour force.

#### *Subcontractors Selection*

We maintain a list of approved subcontractors, which is reviewed by our project team on an annual basis. The established relationship with our subcontractors enables us to have better control of the quality and schedule of works. We select our subcontractors based on various criteria, including their work credentials, tender price, technical capability, and prior working relationship with us. We also require our subcontractors to comply with the applicable registration requirements issued by the Construction Industry Council.

#### *Subcontractors Monitoring*

While the subcontractors are required to comply with all relevant rules and regulations in connection with the works and the subcontractors' responsibilities and policies relating to quality control, work safety and environmental protection, we remain accountable to our customers for the quality of services rendered by our subcontractors. We have put in place procedures and control measures to monitor the quality of works performed by our subcontractors.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For each project undertaken by us, a project management team will be established to oversee the general compliance by our subcontractors with our requirements and we will also designate a safety supervisor and/or site supervisor to monitor and supervise the works of our subcontractors to ensure our subcontractors meet the relevant safety and workmanship requirements. Our safety supervisors have regular on-site inspections according to our safety and environmental requirements. We also have regular meetings with our subcontractors to address any material issues and to update their knowledge on safety and environmental issues. We provide our subcontractors with our internal guidelines on safety and environmental requirements and closely monitor their compliance with our internal guidelines. We also investigate the causes of any non-compliances and establish preventive measures and maintain records of non-compliances regarding safety, environmental and other issues of our subcontractors.

Furthermore, our project manager shall arrange a joint inspection with our customers upon completion of the works done by our subcontractors to ensure that they are consistent with the contract design, specifications and requirements.

We prohibit our subcontractors from hiring any illegal workers and we require our subcontractors to check carefully the identification documents of workers engaged by them to ensure that no illegal workers are hired to work in the sites. We also require our subcontractors to follow the applicable laws and regulations in relation to occupational health and safety at the construction sites. Under the relevant statutory requirements, all personnel employed to work at the construction sites are required to attend the construction industry safety training session on occupational health and safety regulations and obtain the training certificate before they can work at the construction sites.

## *Subcontractors Evaluation*

We evaluate and assess the performance of our subcontractors after the completion of the project. Our project manager will review the performance of the subcontractors based on, among others, their (a) ability to meet the delivery schedules; (b) ability to meet the requirements of the test; (c) response to our instructions; (d) ability to honour the defect liability period; (e) commitment of management; (f) quality of services; and (g) cost competitiveness.

## **Supplier and Subcontractor Profile**

As of 31 March 2020, we had a total of 211 suppliers and subcontractors. The majority are from Hong Kong. The geographical distribution<sup>13</sup> of our suppliers and subcontractors are as follows.

### **Number Of Suppliers By Geographical Regions As Of 31 March**

|                | 2020       |
|----------------|------------|
| Hong Kong      | 150        |
| Korea          | 1          |
| Mainland China | 43         |
| Others         | 17         |
| <b>Total</b>   | <b>211</b> |

<sup>13</sup> It is determined based on the primary location in which products and/or services are provided by the suppliers and/ or subcontractors to the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B6. Product Responsibility

### ***Project and Service Quality***

#### *Policies*

High quality of both materials and subcontractors' works can contribute to the effectiveness and efficiency of the operations of all construction projects, which is crucial to our sustainable development, as stipulated in our Quality Control Management Policy.

#### *Quality Management System*

To maintain consistent quality and safety of services for customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. Each project engaged by us has a project management team comprising, amongst others, an executive Director and a project manager who are responsible for the overall quality assurance of the project.

#### *Quality Control*

Our quality management system is implemented in various stages of our projects from procurement of materials to the installation phase.

- Procurement Phase

We maintain a list of approved suppliers, which is reviewed by our project team and procurement team on an annual basis. We arrange for regular visits to the fabrication and processing factories of our suppliers to conduct inspections and quality checks to the fabrication process to ensure the quality of the materials supplied to us.

Our quality control staff will inspect the fabricated and processed materials produced by our suppliers on a regular basis, and if any problems are found, our quality control staff will work with the suppliers promptly to resolve the problem, in order to ensure that the fabricated/processed materials meet the requisite quality standards.

- Installation Phase

We impose strict quality control standards and closely monitor the quality of the workmanship of our subcontractors. We generally only engage subcontractors on our approved list of subcontractors. For details, please refer to the section headed in "Supply Chain Management" in this ESG Report.

In respect of subcontractors for installation works, we will have regular site-visit to monitor the subcontractors' works at the construction sites. Our project management team have regular meetings with our subcontractors to address and resolve material issues such as quality issues, to ensure the works can meet the requirements of our customers.

We undertake various tests, such as test on building materials and fabricated/processed materials, tool calibration test, and tests on design performance and installation, during and after installation of facade works and building metal finishing works to ensure the projects meet the required quality standards and standards required by our customers.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Complaint Handling*

We will obtain feedback from our customers upon completion of the projects to identify areas for improvement. We strive to improve our quality of work and the satisfaction level of our customers.

We also have a complaint handling procedure in place, whereby upon the receipt of a complaint, a project manager will be assigned to investigate the cause of the complaint. Corrective, improvement and preventive actions are then taken to ensure appropriate actions will be undertaken to the satisfaction of our customers. Our Directors and senior management team conduct an annual review to identify areas for continual improvement.

No material complaints or demand for compensation from our customers were received by us during the reporting period in relation to any deductions, withholding, counter-claim or set-off due to the quality issues in relation to the work performed by us or by our subcontractors. Subsequent to completion of the project, we will also conduct an internal meeting to review our performance and to discuss if any improvement needs to be enacted in the subsequent projects.

## ***Intellectual Property***

The Group's business does not involve research and development activities. Nonetheless, the Group has implemented a copyright policy to (a) iterate our denouncement of the use of any unlicensed software or unlicensed copyrighted works; (b) impose individualised passwords to each of our computers to prevent and trace any use of unlicensed software or unlicensed copyrighted works; and (c) establish different measures to regulate the authorised usage of computers. All current and future employees of the Group must sign an acknowledgement of such policy upon their employment.

## ***Marketing and Labelling***

The Group does not rely heavily on marketing and advertising and does not sell products. To the best of our Directors' knowledge, the Group was not aware of any significant impact relating to advertising and labelling on its operations. We will closely monitor the business environment to identify any significant risks in this area.

## ***Protection of Client's Privacy and Information***

The Group strives to protect the privacy of its customers, business partners and staff in the collection, processing and use of their business or personal data. As stated in our Employee Handbook, all employees are obliged to protect our commercial and technical secrets, and if they violate the confidentiality regulations, they will be prosecuted in accordance with the relevant laws and regulations.

The production, sending, receiving, transmitting, using, copying, excerpting, storing and destroying of information are all carried out by designated personnel depending on the level of confidentiality of information. If an employee finds that the company password has been leaked or may be leaked, he/she should immediately take remedial measures and promptly report to the company supervisor. In addition, confidential agreements required to be signed with relevant parties where applicable.

## ***Compliance Information***

The Group strictly abides the laws and regulations relating to product responsibility, including but not limited to Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and Copyright Ordinance (Chapter 528 of the Laws of Hong Kong). During the reporting period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **B7. Anti-corruption**

Honesty, integrity and fair competition are the core values that all employees of the Group should uphold. The Group's Employee Handbook sets out the employee's codes of conduct in dealing with matters related to acceptance of advantages and conflicts of interests and is communicated to all employees. To avoid any conflict of interest situation, employees or other related parties are required to sign the Declaration of Conflict of Interest.

### ***Policies***

Our commitments and values are guided by the Employee Handbook and supplemented by different policies and procedures. These policies and procedures are regularly reviewed and updated to ensure appropriate ethical business practices and behaviour as well as compliance with corporate and regulatory requirements.

Our Employee Handbook sets out principles for acting responsibly in the daily operation, including issues related to business ethics, conflicts of interest, bribery in the workplace. Our Anti-fraud Policy sets out our management approaches on anti-frauds. It provides the guidelines on implementation, treatment, and identification of frauds.

### ***Whistleblowing Policy***

The Group sets up a mechanism allowing the employees to report any malpractice existing in the Group to the Audit Committee under the condition of confidentiality and maps out the investigation procedure. The Group encourages employees to call attention to any alleged misconduct or delinquency occurring in the Group.

The Board and the Audit Committee have the responsibility to monitor and review the implementation of the policy and to advise on investigations into reported cases. The report can be submitted in writing or email. All reported cases are promptly and thoroughly investigated while confidentiality is respected to protect individuals. If the report exposes alleged criminal offences, the case will be consulted with the legal advisor to decide whether to refer the case to competent authorities.

### ***Compliance Information***

The Group strictly abides by the laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong, including the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). During the reporting period, to the best of our Directors' knowledge, the Group was not aware of any cases of significant non-compliance or related corruption litigation in this regard. There was no concluded legal case regarding corrupt practices brought against the Group or our employees.

## **Community**

### **B8. Community Investment**

#### ***Policies***

The Group believes that community contribution is important for sustainable development as it helps to establish a harmonious society. The Group aims to develop long-term relations with stakeholders based on mutual trust, respect and integrity. The Group also seeks to make contributions to programmes which have positive impacts on different areas of community development (such as art, youth education and social needs). Employees are encouraged to volunteer and work through collaboration with strategic giving as well as capacity-building initiatives to try and create positive impacts in the community.

During the reporting period, the Group made a donation of HK\$500,000 to the Community Chest of Hong Kong.

# Independent Auditor's Report

## **TO THE SHAREHOLDERS OF LOTUS HORIZON HOLDINGS LIMITED**

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

### **OPINION**

We have audited the consolidated financial statements of Lotus Horizon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 113, 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, consolidated statement of changes in equity and 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTER**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

# Independent Auditor's Report

## KEY AUDIT MATTER (CONTINUED)

### Key audit matter

### How our audit addressed the key audit matter

#### ***Recognition of revenue from the provision of design, supply and installation services for façade works and building metal finishing works***

We identified recognition of revenue from the provision of design, supply and installation services for façade works and building metal finishing works as a key audit matter due to its significance to the Group's consolidated financial statements and involvement of significant management estimates in determining estimated outcomes of the respective construction contracts.

As disclosed in note 5 to the consolidated financial statements, the Group recognises revenue from provision of design, supply and installation services for façade work and building metal finishing works progressively overtime using input method based on the proportion of total contract costs incurred at the end of reporting period compared to the estimated total budgeted contract costs to complete the contract when control of the goods or service is transferred to the customer. Since the measurement of the revenue relies on estimations of total budgeted contract costs, changes to estimated total budgeted contract costs could give rise to material variances in the amount of revenue recognised.

The Group recognised revenue from provision of design, supply and installation services for façade works and building metal finishing works from customers in Hong Kong of HK\$243,453,000 during the year ended 31 March 2020 as set out in note 6 to the consolidated financial statements.

Our procedures in relation to recognition of revenue from the provision of design, supply and installation services for façade works and building metal finishing works included:

- Understanding how the management of the Group recognised the revenue from provision of design, supply and installation services for façade works and building metal finishing works and how the total budgeted contract costs were estimated;
- Agreeing the total contract values and values of variation orders, where applicable, to relevant signed contracts and the correspondence with customers, on a sample basis;
- Checking the estimated total budgeted contract costs against the supporting documents, including subcontracting service agreements, purchasing agreements, quotations, payment certificates or invoices issued by subcontractors or suppliers of contract materials, of respective construction projects and understanding the basis for making material revisions, where applicable, of the estimated total budgeted contract costs, on a sample basis;
- Assessing the accuracy of the actual contract costs incurred during the year by examining against the payment certificates or invoices issued by subcontractors or suppliers of contract materials, on a sample basis; and
- Evaluating the reliability of the estimation made by the management of the Group, by comparing their budgeted contract costs against actual costs for projects at completion, on a sample basis.

# Independent Auditor's Report

## 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 auditor's report thereon.

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

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

# Independent Auditor's Report

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

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

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 29 June 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

|  | NOTES | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|-------|------------------|------------------|
| Revenue  | 6     | 243,453          | 202,786          |
| Cost of sales                                      |       | (172,495)        | (141,002)        |
| Gross profit                                       |       | 70,958           | 61,784           |
| Other income, gains and losses, net                | 7     | 88               | (248)            |
| Impairment losses reversed, net                    | 8     | 1,289            | 716              |
| Operating and administrative expenses              |       | (13,821)         | (10,884)         |
| Finance costs                                      | 9     | (1,451)          | (328)            |
| Listing expenses                                   |       | (13,665)         | (6,044)          |
| Profit before taxation                             | 10    | 43,398           | 44,996           |
| Income tax expense                                 | 12    | (9,240)          | (8,506)          |
| Profit and total comprehensive income for the year |       | 34,158           | 36,490           |
| Earnings per share, basic (HK cents)               | 14    | 2.28             | 2.43             |

# Consolidated Statement of Financial Position

At 31 March 2020

|  | NOTES | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                          |       |                  |                  |
| Property and equipment                             | 15    | 3,701            | 2,894            |
| Deposit and prepayment for a life insurance policy | 16    | 1,228            | 831              |
| Rental deposits                                    | 17    | 283              | 160              |
| Deferred tax assets                                | 25    | 153              | 141              |
|  |       | <b>5,365</b>     | 4,026            |
| <b>Current assets</b>                              |       |                  |                  |
| Trade and other receivables                        | 17    | 21,269           | 23,324           |
| Contract assets                                    | 18    | 79,313           | 63,318           |
| Amount due from ultimate holding company           | 20    | –                | 19               |
| Pledged bank deposits                              | 21    | 5,122            | –                |
| Bank balances and cash                             | 21    | 13,960           | 13,457           |
|  |       | <b>119,664</b>   | 100,118          |
| <b>Current liabilities</b>                         |       |                  |                  |
| Trade and other payables                           | 22    | 21,281           | 21,319           |
| Dividend payable                                   |       | –                | 17,219           |
| Contract liabilities                               | 18    | –                | 1,162            |
| Lease liabilities                                  | 23    | 1,466            | 913              |
| Taxation payable                                   |       | 4,039            | 2,136            |
| Bank borrowings                                    | 24    | 34,582           | 32,479           |
|  |       | <b>61,368</b>    | 75,228           |
| <b>Net current assets</b>                          |       | <b>58,296</b>    | 24,890           |
| <b>Total assets less current liabilities</b>       |       | <b>63,661</b>    | 28,916           |
| <b>Non-current liability</b>                       |       |                  |                  |
| Lease liabilities                                  | 23    | 1,397            | 810              |
| <b>Net assets</b>                                  |       | <b>62,264</b>    | 28,106           |
| <b>Capital and reserves</b>                        |       |                  |                  |
| Share capital                                      | 26    | – <sup>#</sup>   | – <sup>#</sup>   |
| Reserves   |       | 62,264           | 28,106           |
| <b>Total equity</b>                                |       | <b>62,264</b>    | 28,106           |

<sup>#</sup> Less than HK\$1,000

The consolidated financial statements on pages 60 to 113 were approved and authorised for issue by the Board of Directors on 29 June 2020.

**CHU KWOK FUN**  
DIRECTOR

**TSANG CHIU WAN**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

|  | Share<br>capital<br>HK\$'000 | Other<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|------------------------------|---------------------------------|-------------------|
| At 1 April 2018  | 10,000                       | –                            | 7,616                           | 17,616            |
| Issue of shares (note 26)                                    | –#                           | –                            | –                               | –                 |
| Profit and total comprehensive income<br>for the year        | –                            | –                            | 36,490                          | 36,490            |
| Adjustment arising from the group<br>reorganisation (note 2) | (10,000)                     | 10,000                       | –                               | –                 |
| Dividend recognised as distribution (note 13)                | –                            | –                            | (26,000)                        | (26,000)          |
| At 31 March 2019   | –#                           | <b>10,000</b>                | <b>18,106</b>                   | <b>28,106</b>     |
| Profit and total comprehensive income<br>for the year        | –                            | –                            | <b>34,158</b>                   | <b>34,158</b>     |
| At 31 March 2020   | –#                           | <b>10,000</b>                | <b>52,264</b>                   | <b>62,264</b>     |

# Less than HK\$1,000

# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Operating activities  |                  |                  |
| Profit before taxation  | 43,398           | 44,996           |
| Adjustments for:  |                  |                  |
| Interest income   | (18)             | (1)              |
| Interest expenses   | 1,451            | 328              |
| Depreciation on property and equipment  | 1,867            | 1,803            |
| Loss on disposal of property and equipment  | –                | 230              |
| Loss on disposal of golf club membership  | –                | 77               |
| Gain arising from early termination of a lease contract                           | –                | (19)             |
| Impairment losses reversed, net   | (1,289)          | (716)            |
| Operating cash flows before movements in working capital                          | 45,409           | 46,698           |
| Decrease (increase) in trade and other receivables                                | 5,531            | (15,221)         |
| Increase in contract assets   | (14,701)         | (56,486)         |
| (Decrease) increase in trade and other payables                                   | (1,377)          | 8,977            |
| Decrease in contract liabilities  | (1,162)          | (7,196)          |
| Cash generated from (used in) operations  | 33,700           | (23,228)         |
| Hong Kong Profits Tax paid  | (7,349)          | (9,319)          |
| Net cash from (used in) operating activities                                      | 26,351           | (32,547)         |
| Investing activities  |                  |                  |
| Placement of pledged bank deposits  | (5,122)          | –                |
| Payment of a life insurance contract  | (397)            | (364)            |
| Purchases of property and equipment   | (233)            | (1,245)          |
| Payment of rental deposits  | (80)             | –                |
| Advances to ultimate holding company  | (4)              | (19)             |
| Repayment from ultimate holding company   | 23               | –                |
| Interest received   | 18               | 1                |
| Advances to a director  | –                | (5,122)          |
| Proceeds from disposals of property and equipment                                 | –                | 668              |
| Proceeds from disposal of golf club membership                                    | –                | 69               |
| Net cash used in investing activities   | (5,795)          | (6,012)          |
| Financing activities  |                  |                  |
| Repayments of bank borrowings   | (136,841)        | (21,806)         |
| Dividend paid   | (17,219)         | (4,019)          |
| Issue costs paid  | (2,279)          | (1,355)          |
| Interest paid   | (1,357)          | (287)            |
| Repayments of lease liabilities   | (1,301)          | (1,204)          |
| New bank borrowings raised  | 138,944          | 54,285           |
| Net cash (used in) from financing activities                                      | (20,053)         | 25,614           |
| Net increase (decrease) in cash and cash equivalents                              | 503              | (12,945)         |
| Cash and cash equivalents at beginning of the year                                | 13,457           | 26,402           |
| Cash and cash equivalents at end of the year, representing bank balances and cash | 13,960           | 13,457           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 1. GENERAL

Lotus Horizon Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 14 November 2018 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing**”). The addresses of the Company’s registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the annual report.

Its immediate and ultimate holding company is Platinum Lotus Holdings Limited (“**Platinum Lotus**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder of the Group is Mr. Chu Kwok Fun (“**Mr. Chu**”).

The Company acts as an investment holding company and the principal activities of the Group are the provision of design, supply and installation services for façade works and building metal finishing works.

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

## 2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in note 4 which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Before the completion of a group reorganisation as more fully explained in the section headed “History, Development, and Reorganisation” in the prospectus of the Company dated 30 March 2020 (the “**Reorganisation**”), the Company, Platinum Lotus and ICGL Technical Works (HK) Limited (“**ICGL (Hong Kong)**”) are wholly-owned directly or indirectly by Mr. Chu. In preparation of the Listing, the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 3 May 2018, Platinum Lotus was incorporated in the BVI with limited liability. Platinum Lotus allotted and issued one share, credited as fully paid at a par value of one United States dollars (“**US\$**”) to Mr. Chu on 17 May 2018.
- (ii) On 3 May 2018, Plateau Star Limited (“**Plateau Star**”) was incorporated in the BVI with limited liability. Plateau Star allotted and issued 100 shares, credited as fully paid at a par value of US\$100 to Platinum Lotus on 17 May 2018.
- (iii) On 14 November 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one nil-paid share was allotted and issued to an independent initial subscriber, which was then transferred to Mr. Chu on the same day.

On 20 March 2019, Mr. Chu transferred the one nil-paid share of the Company to Platinum Lotus at a consideration of US\$1.00.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- (iv) On 22 March 2019, as part of the Reorganisation, the Company acquired all the issued shares of Plateau Star from Platinum Lotus, in consideration to which, the Company, at the direction of Mr. Chu, allotted and issued 99 fully paid shares to Platinum Lotus and credited as fully paid the one nil-paid share held by Platinum Lotus. As a result, Plateau Star became a wholly-owned subsidiary of the Company.
- (v) On 27 March 2019, as part of the Reorganisation, the Company, through Plateau Star, acquired all issued shares of ICGL (Hong Kong) from Summit (Sino) Holdings Limited which is controlled by Mr. Chu, in the consideration to which, the Company, at the direction of Mr. Chu, allotted and issued 100 fully paid shares to Platinum Lotus. As a result, ICGL (Hong Kong) became a wholly-owned subsidiary of the Company.

The Reorganisation involved incorporation of and interspersing Platinum Lotus, the Company and Plateau Star between ICGL (Hong Kong) and Mr. Chu. Upon the completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group on 27 March 2019. The Group resulting from the Reorganisation is regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2019 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence since 1 April 2018, or since their respective dates of incorporation, whichever is the shorter period.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The Group has consistently applied all HKFRSs, amendments and related interpretations to HKFRSs issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2019, including adoption of HKFRS 16 "Lease" ("**HKFRS 16**") for both years.

### New and amendments to HKFRSs issued but not 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 Concessions <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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

### New and amendments to HKFRSs issued but not effective (Continued)

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.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### Amendments to HKFRS 3 “Definition of a Business”

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the annual reporting period beginning on or after 1 April 2020.

### Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

### Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group’s annual periods beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of 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 the 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 the consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKFRS 16, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets” (“**HKAS 36**”).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 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 follow:

- Level 1 inputs are quoted price (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 and 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.

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.

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

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

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

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

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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity 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.

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

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of service to a customer. The Group’s major source of revenue is its revenue from construction contracts for the provision of design, supply and installation services for façade works and building metal finishing works.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### Provision of design, supply and installation services for façade works and building metal finishing works

##### *Recognition — over time revenue recognition*

The Group provides design, supply and installation services for façade works and building metal finishing works based on contracts entered with the customers. Such contracts are entered into before the services begin. Revenue from the provision of design, supply and installation services for façade works and building metal finishing works is recognised over time because the Group's performance are tailor-made based on customer's specification which does not create an asset with an alternative use and the Group is restricted from redirecting the façade works and building metal finishing works to another customer, and all the contracts provide the Group an enforceable right to payment for performance completed to the date taking into account the contractual terms under the legal and regulatory environment in Hong Kong.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services. The management of the Group has assessed that the stage of completion determined as the proportion of the costs incurred for the façade works and building metal finishing works performed to date (i.e. subcontracting costs, materials costs and direct staff costs incurred) relative to the estimated total budgeted contract costs to complete the satisfaction of these services in each contract and the margin of each contract, to the extent that the amount can be measured reliably and its recovery is considered probable.

##### *Variable consideration*

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the change in circumstances during the reporting period.

##### *Contract assets and contract liabilities*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### Provision of design, supply and installation services for façade works and building metal finishing works (Continued)

##### *Contract assets and contract liabilities (Continued)*

Contract asset is recognised when (i) the Group completes the façade works and building metal finishing works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer and becomes unconditional. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference.

### Warranties

If a customer does not have the options to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 “Provision, Contingent Liabilities and Contingent Assets” (“**HKAS 37**”) unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification.

### Other income

Other income is recognised when the relevant service has been rendered.

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

### Property and equipment

Property and equipment (including right-of-use assets) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives, using straight line method. The estimated useful lives 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 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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

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

Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

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

### Provisions

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

### Financial instruments

Financial assets and financial liabilities are recognised when the Group 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 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### 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.

All of the Group's financial assets are subsequently measured at amortised cost.

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 recognises a loss allowance for expected credit loss ("**ECL**") on financial assets and other item which are subject to impairment under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") (including trade and other receivables, refundable rental deposits, amount due from ultimate holding company, pledged bank deposits, bank balances and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

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

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually based on internal credit ratings.

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

(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 ratings;
- 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

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

(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 of default 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; or
- (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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. 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.

(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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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 by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

##### *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 in its entirety, 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 issued 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.

##### *Equity instruments*

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

##### *Financial liabilities at amortised costs*

Financial liabilities including trade and other payables, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial liabilities and equity (Continued)

##### *Derecognition of financial liabilities*

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

#### Impairment on property and equipment (including right-of-use assets)

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment (including 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 and equipment (including 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or 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. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment on property and equipment (including right-of-use assets) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but to the extent 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.

### Income tax expense

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 assets and liabilities 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 leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax expense (Continued)

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.

### 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 that are measured in term 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, as recognised in profit or loss in the period in which they arise.

### Leases

#### Definition of a lease

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

##### *Short-term leases*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### The Group as a lessee (Continued)

##### *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.

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 are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### The Group as a lessee (Continued)

##### *Lease liabilities (Continued)*

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 expect to be payable by the Group under residual value guarantee;
- 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.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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 case 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### The Group as a lessee (Continued)

##### *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.

### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

### 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 (such as wages, salaries and annual leave) after deducting any amount already paid.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is 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 associated 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### **Recognition of revenue from the provision of design, supply and installation services for façade works and building metal finishing works**

The Group recognises revenue from the provision of design, supply and installation services for façade works and building metal finishing works progressively overtime using input method based on the proportion of total contract costs incurred at the end of reporting period compared to the estimated total budgeted contract costs to complete the contract when control of the goods or service is transferred to the customer. The Group reviews and revises the estimated total budgeted contract costs to complete the satisfaction of these services and the margin of each project as the contract progresses. Budgeted contract costs are prepared by the management of the Group on the basis of quotations from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, management of the Group conducts periodic reviews and revisions of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Since the measurement of the revenue relies on estimations of total budgeted contract costs, changes to estimated total budgeted contract costs could give rise to material variances in the amount of revenue recognised.

### **Impairment assessment of trade receivables and contract assets**

The management of the Group estimates the amount of loss allowances for ECL on the trade receivables and contract assets individually based on their credit risk, after considering financial background, creditability, ageing, and likelihood of collection with reference to repayment history and/or past due status of respective debtors.

When measuring ECL, the Group uses reasonable and supportable forward-looking information that is available without undue cost or effort. Loss given default is an estimate of the loss arising on default. It is based on the difference between all the contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Therefore, the amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. The assessment of the credit risk of trade receivables and contract assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected due to changes in forward-looking information, a material impairment loss or a material reversal of impairment loss may arise accordingly.

As at 31 March 2020, the carrying amount of trade receivables was HK\$13,874,000 (2019: HK\$18,031,000) (net of loss allowances of HK\$135,000 (2019: HK\$130,000)).

As at 31 March 2020, the gross carrying amount of contract assets was HK\$79,579,000 (2019: HK\$63,657,000) (net of loss allowance of HK\$2,102,000 (2019: HK\$3,396,000)).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of design, supply and installation services for façade works and building metal finishing works in Hong Kong by the Group to external customers which is recognised over time using the input method and derived from long-term contracts during the year.

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| <b>Recognised over time</b>                  |                  |                  |
| Design, supply and installation services for |                  |                  |
| — façade works                               | 166,582          | 139,381          |
| — building metal finishing works             | 76,871           | 63,405           |
|  | <b>243,453</b>   | 202,786          |

The Group's operating activities are attributable to a single operating segment focusing on the provision of design, supply and installation services for façade works and building metal finishing works. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the chief operating decision maker ("CODM"), being Mr. Chu, the chief executive officer and executive director of the Company, for the purpose of resources allocation and performance assessment. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance.

The CODM reviews the profit for the year of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

The customers of the Group are mainly property developers and main contractors in Hong Kong. All of the Group's provision of design, supply and installation services for façade works and building metal finishing works are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

### Transaction price allocated to the remaining performance obligations for contracts with customers

The table below shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Provision of design, supply and installation services for façade works and building metal finishing works | 304,250          | 297,904          |

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of design, supply and installation services for façade works and building metal finishing works as at 31 March 2020 will be recognised as revenue during the years ending 31 March 2021 to 31 March 2022 (2019: years ended/ending 31 March 2020 to 31 March 2022).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Geographical information

All of the Group's revenue from external customers was generated from customers located in Hong Kong and all of the Group's non-current assets (excluding deferred tax assets) were located in Hong Kong.

### Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group during the year are as follows:

|                         | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-------------------------|------------------|------------------|
| Customer A <sup>1</sup> | 56,242           | 44,702           |
| Customer B <sup>2</sup> | N/A <sup>4</sup> | 32,036           |
| Customer C <sup>1</sup> | N/A <sup>4</sup> | 52,859           |
| Customer D <sup>3</sup> | 49,211           | N/A <sup>4</sup> |
| Customer E <sup>2</sup> | 67,348           | N/A <sup>4</sup> |

Notes:

1. Revenue from design, supply and installation services for façade works.
2. Revenue from design, supply and installation services for building metal finishing works.
3. Revenue from design supply and installation services for façade works and building metal finishing works.
4. The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

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

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Loss on disposal of property and equipment              | –                | (230)            |
| Gain arising from early termination of a lease contract | –                | 19               |
| Loss on disposal of golf club membership                | –                | (77)             |
| Net exchange losses                                     | –                | (31)             |
| Sundry income   | 88               | 71               |
|   | <b>88</b>        | (248)            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 8. IMPAIRMENT LOSSES REVERSED, NET

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Net impairment losses recognised (reversed) on: |                  |                  |
| — trade receivables                             | 5                | 37               |
| — contract assets                               | (1,294)          | (753)            |
|   | <b>(1,289)</b>   | <b>(716)</b>     |

## 9. FINANCE COSTS

|                     | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------------|------------------|------------------|
| Interests on:       |                  |                  |
| — bank borrowings   | 1,320            | 224              |
| — lease liabilities | 131              | 104              |
|                     | <b>1,451</b>     | <b>328</b>       |

## 10. PROFIT BEFORE TAXATION

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Profit before taxation has been arrived at after charging:                                       |                  |                  |
| Directors' remunerations (note 11)   |                  |                  |
| Fee  | —                | —                |
| Other emoluments   | 2,241            | 2,288            |
|  | <b>2,241</b>     | <b>2,288</b>     |
| Other staff costs  |                  |                  |
| Salaries and other benefits  | 20,836           | 16,647           |
| Retirement benefit scheme contributions for other staffs   | 680              | 530              |
| Total staff costs  | <b>23,757</b>    | <b>19,465</b>    |
| Auditor's remuneration   | 1,300            | 500              |
| Variable rents in respect of office equipment which are not included in lease liabilities (Note) | 39               | 28               |
| Depreciation on property and equipment   | 1,867            | 1,803            |
| and after crediting:   |                  |                  |
| Bank interest income   | 18               | 1                |

Note: The operating lease rentals for office equipment are determined according to predetermined fixed cost and the excess usage of printing pages pursuant to terms and conditions that are set out in respective rental agreements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors', chief executive officer's and employees' emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the directors of the Company and the chief executive officer of the Group (including emoluments for services as employees or directors of the companies now comprising the Group prior to becoming the directors of the Company) during the year are as follows:

|                                      | Fees<br>HK\$'000 | Salaries<br>and other<br>allowances<br>HK\$'000 | Performance<br>related<br>incentive<br>payments<br>HK\$'000<br>(Note) | Retirement<br>benefit<br>scheme<br>contributions<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|------------------|---|---|--|-------------------|
| <b>Year ended 31 March 2020</b>      |                  |   |   |  |                   |
| Executive directors:                 |                  |   |   |  |                   |
| Mr. Chu (Chief executive officer)    | –                | 1,206   | –   | 18   | 1,224             |
| Mr. Tsang Chiu Wan ("Mr. Tsang")     | –                | 926   | 73  | 18   | 1,017             |
| Sub-total                            | –                | 2,132   | 73  | 36   | 2,241             |
| Independent non-executive directors: |                  |   |   |  |                   |
| Ms. Leung Yin Fai                    | –                | –   | –   | –  | –                 |
| Mr. Ma Tsz Chun                      | –                | –   | –   | –  | –                 |
| Ms. Yuen Wai Yee                     | –                | –   | –   | –  | –                 |
| Sub-total                            | –                | –   | –   | –  | –                 |
| Total                                | –                | 2,132   | 73  | 36   | 2,241             |
| <b>Year ended 31 March 2019</b>      |                  |   |   |  |                   |
| Executive directors:                 |                  |   |   |  |                   |
| Mr. Chu (Chief executive officer)    | –                | 1,086   | 88  | 18   | 1,192             |
| Mr. Tsang                            | –                | 792   | 286   | 18   | 1,096             |
| Total                                | –                | 1,878   | 374   | 36   | 2,288             |

Note: The performance related incentive payments are determined based on the performance of the individuals and the Group and market condition for both years.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

Mr. Chu was also appointed as the chief executive officer and executive director of the Company on 14 November 2018 and his emoluments above include those for services rendered by him as a chief executive officer.

Mr. Tsang was appointed as an executive director of the Company on 24 May 2019.

All independent non-executive directors of the Company were appointed on 5 March 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (b) Employees' emoluments

The five highest paid individuals include two (2019: two) directors of the Company for the year ended 31 March 2020, details of whose emoluments are included above. The emoluments of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Salaries and other allowances                 | 2,271            | 2,187            |
| Performance related incentive payments (Note) | 305              | 779              |
| Retirement benefit scheme contributions       | 54               | 54               |
|   | <b>2,630</b>     | 3,020            |

Note: The performance related incentive payments are determined based on the performance of the individuals and the Group and market condition for both years.

The emoluments of remaining highest paid employees who are not directors of the Company were within the following bands:

|                                | Number of individuals |      |
|--------------------------------|-----------------------|------|
|                                | 2020                  | 2019 |
| Nil to HK\$1,000,000           | 3                     | 2    |
| HK\$1,000,001 to HK\$1,500,000 | –                     | 1    |

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company nor the chief executive officer of the Group waived or agreed to waive any emoluments for both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 12. INCOME TAX EXPENSE

|                                     | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| The income tax expense comprises:   |                  |                  |
| Hong Kong Profits Tax               |                  |                  |
| Current year                        | 9,291            | 8,462            |
| (Over)underprovision in prior years | (39)             | 115              |
|                                     | 9,252            | 8,577            |
| Deferred tax credit (note 25)       | (12)             | (71)             |
|                                     | 9,240            | 8,506            |

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of one qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 of that qualifying group entity will be taxed at 16.5%. Accordingly, Hong Kong Profits Tax of the qualifying entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.

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

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Profit before taxation                                | 43,398           | 44,996           |
| Tax charge at the applicable income tax rate at 16.5% | 7,161            | 7,424            |
| Tax effect of expenses not deductible for tax purpose | 2,282            | 1,085            |
| Tax effect of income not taxable for tax purpose      | (14)             | (3)              |
| Tax effect of tax concession                          | (165)            | (165)            |
| (Over)underprovision in prior years                   | (39)             | 115              |
| Others  | 15               | 50               |
| Income tax expense for the year                       | 9,240            | 8,506            |

## 13. DIVIDENDS

During the year ended 31 March 2019, ICGL (Hong Kong) declared interim dividends of HK\$26,000,000, to its then sole shareholder and the dividends declared during the year ended 31 March 2019 were partially settled through offsetting the current account with Mr. Chu, the director of the Company (i.e. amount due from a director).

The rate of dividends and number of shares ranking for the above dividends are not presented as inclusion of such information is not considered meaningful for the presentation of the consolidated financial statements.

A final dividend of HK cent 0.5 per share in respect of the year ended 31 March 2020 has been proposed by the board of directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Earnings:   |                  |                  |
| Profit for the year for the purpose of calculating basic earnings per share                               | <b>34,158</b>    | 36,490           |
| Number of shares:   |                  |                  |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (Note) | <b>1,500,000</b> | 1,500,000        |

Note: The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation as set out in note 2 and the capitalisation issue as described in the section headed "Share Capital" in the prospectus of the Company dated 30 March 2020 in connection with the Listing have been effective on 1 April 2018.

No diluted earnings per share is presented as the Group has no potential ordinary shares in issue during both years.

## 15. PROPERTY AND EQUIPMENT

|                                       | Right-of-use assets          |                             |                      |                                    | Office equipment and furniture<br>HK\$'000 | Motor vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------|------------------------------|-----------------------------|----------------------|------------------------------------|--|----------------------------|-------------------|
|                                       | Office equipment<br>HK\$'000 | Office premises<br>HK\$'000 | Subtotal<br>HK\$'000 | Leasehold improvements<br>HK\$'000 |  |                            |                   |
| COST                                  |                              |                             |                      |                                    |  |                            |                   |
| At 1 April 2018                       | 815                          | 3,827                       | 4,642                | 1,565                              | 776  | 840                        | 7,823             |
| Additions                             | 66                           | 265                         | 331                  | 877                                | 368  | -                          | 1,576             |
| Early termination of a lease contract | -                            | (644)                       | (644)                | -                                  | -  | -                          | (644)             |
| Disposals/write-off                   | -                            | -                           | -                    | (683)                              | (7)  | (840)                      | (1,530)           |
| At 31 March 2019                      | 881                          | 3,448                       | 4,329                | 1,759                              | 1,137                                      | -                          | 7,225             |
| Additions                             | 46                           | 2,395                       | 2,441                | 3                                  | 230  | -                          | 2,674             |
| At 31 March 2020                      | 927                          | 5,843                       | 6,770                | 1,762                              | 1,367                                      | -                          | 9,899             |
| DEPRECIATION                          |                              |                             |                      |                                    |  |                            |                   |
| At 1 April 2018                       | 243                          | 1,292                       | 1,535                | 1,032                              | 579  | 336                        | 3,482             |
| Provided for the year                 | 154                          | 1,165                       | 1,319                | 321                                | 121  | 42                         | 1,803             |
| Early termination of a lease contract | -                            | (322)                       | (322)                | -                                  | -  | -                          | (322)             |
| Eliminated on disposals/write-off     | -                            | -                           | -                    | (252)                              | (2)  | (378)                      | (632)             |
| At 31 March 2019                      | 397                          | 2,135                       | 2,532                | 1,101                              | 698  | -                          | 4,331             |
| Provided for the year                 | 179                          | 1,218                       | 1,397                | 317                                | 153  | -                          | 1,867             |
| At 31 March 2020                      | 576                          | 3,353                       | 3,929                | 1,418                              | 851  | -                          | 6,198             |
| CARRYING VALUES                       |                              |                             |                      |                                    |  |                            |                   |
| At 31 March 2020                      | 351                          | 2,490                       | 2,841                | 344                                | 516  | -                          | 3,701             |
| At 31 March 2019                      | 484                          | 1,313                       | 1,797                | 658                                | 439  | -                          | 2,894             |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 15. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

|                                |  |
|--------------------------------|--|
| Right-of-use assets            | Over the shorter of lease terms or 5 years |
| Leasehold improvements         | Over the shorter of lease terms or 5 years |
| Office equipment and furniture | 20%  |
| Motor vehicles                 | 20%  |

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Expense relating to short-term leases  | 38               | –                |
| Variable lease payments not included in the measurement of lease liabilities | 39               | 28               |
| Total cash outflow for leases  | 1,509            | 1,336            |

For both years, the Group leases various warehouses, office premises and office equipment for its operations. Lease contracts are entered into for fixed term of 6 months to 5 years. 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.

Some of the office equipment in which the Group is the lessee contain variable lease payment terms that are based on excess usage of printing pages. The variable lease payments depend on the usage of printing pages for each month of the leased office equipment. Variable lease payment terms are used to link rental payments to actual usage of printing pages and to reduce fixed cost. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 March 2020:

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Fixed payments   |                  |                  |
| — for certain office equipment with variable payment terms | 208              | 181              |
| — for other lease assets                                   | 1,224            | 1,127            |
|  | 1,432            | 1,308            |
| Variable payments for certain office equipment             | 39               | 28               |
|  | 1,471            | 1,336            |

### Restrictions or covenants on leases

Lease liabilities of HK\$2,863,000 (2019: HK\$1,723,000) are recognised with related right-of-use assets of HK\$2,841,000 (2019: HK\$1,797,000) as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 23.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16. DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

The amount represents deposit and prepayment for a life insurance policy for a director of the Company, namely Mr. Chu.

## 17. TRADE AND OTHER RECEIVABLES

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Trade receivables                                       | 14,009           | 18,161           |
| Less: Allowances for impairment                         | (135)            | (130)            |
|   | <b>13,874</b>    | 18,031           |
| Deposits and prepayments                                | 1,853            | 2,514            |
| Deferred issue costs                                    | 5,004            | 1,480            |
| Prepaid listing expenses                                | –                | 951              |
| Other receivables                                       | 821              | 508              |
|   | <b>21,552</b>    | 23,484           |
| Less: Rental deposits classified as non-current portion | (283)            | (160)            |
|   | <b>21,269</b>    | 23,324           |

Trade receivables represent amounts receivable for work certified after deduction of retention money by customers.

The Group usually allows a credit period ranging from 14 to 74 days to its customers. Before accepting any new customers, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 1 April 2018, the trade receivables amounted to HK\$4,772,000, net of loss allowances of HK\$93,000.

The following is an ageing analysis of trade receivables, net of loss allowances, presented based on the approval dates of work certified by architects, surveyors or other representatives appointed by the customers, at the end of the reporting period, which are also the dates when the Group's right to consideration became unconditional.

|               | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------|------------------|------------------|
| 0 to 30 days  | 7,953            | 5,848            |
| 31 to 60 days | 1,978            | 11,821           |
| 61 to 90 days | –                | –                |
| Over 90 days  | 3,943            | 362              |
|               | <b>13,874</b>    | 18,031           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade receivables

In determining the ECL, the management of the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Under HKFRS 9, loss allowances for trade receivables have been measured at an amount equal to lifetime ECL under simplified approach.

Details of the impairment assessment of trade receivables are set out in note 19.

### Other receivables (including refundable rental deposits)

For purpose of impairment assessment, other receivables (including refundable rental deposits) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on other receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12m ECL.

## 18. CONTRACT ASSETS AND CONTRACT LIABILITIES

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Analysed for reporting purposes, on a net basis for each respective contract: |                  |                  |
| Contract assets   | 79,313           | 63,318           |
| Contract liabilities  | –                | (1,162)          |
|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
| Analysed on a gross basis of:   |                  |                  |
| Contract assets (net of loss allowances)                                      | 79,579           | 63,657           |
| Contract liabilities  | (266)            | (1,501)          |

### Contract assets

Contract assets arise when the Group has right to consideration for completion of design, supply and installation of façade works and building metal finishing works and not yet billed under the relevant contracts, and its right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time.

In addition, contract assets arise when customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 18. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

### Contract assets (Continued)

Retention receivables represent the money withheld by the customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 5% of contract sum). 50% of retention receivable is normally recoverable upon the issuance of the certificate of practical completion by the architects for the completion of respective projects. The remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective projects. Any amount of retention receivables previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiceable to the customer. The retention money does not have any significant financing component for financing benefit. The amounts are unsecured and interest-free.

As at 1 April 2018, the contract assets amounted to HK\$16,296,000 on a gross basis, net of loss allowances of HK\$4,149,000 and amounted to HK\$6,079,000 on a net basis for each respective contract, net of loss allowances of HK\$4,149,000, respectively.

### Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers in advances. The contract liabilities as at 1 April 2018 and 31 March 2019 have been recognised as revenue for the year ended 31 March 2019 and 31 March 2020, respectively. The contract liabilities as at 31 March 2020 will be recognised as revenue for the year ending 31 March 2021.

Changes of contract assets and contract liabilities during the year ended 31 March 2020 were mainly due to (i) changes on progress of contract works when the Group satisfies the performance obligations under the contracts or when the relevant services were completed but not yet been certified by architects, surveyors or other representatives appointed by the customers at the end of the reporting period; or (ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

As at 1 April 2018, the contract liabilities amounted to HK\$18,575,000 on a gross basis and amounted to HK\$8,358,000 on a net basis for each respective contract, respectively.

As at 31 March 2020, the carrying amounts of contract assets, on a gross basis, include retention receivables, net of loss allowances, held by customers for contract works amounting to HK\$18,060,000 (2019: HK\$15,000,000).

The retention receivables, net of loss allowances, are to be settled at the end of the reporting period as follows:

|                              | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------|------------------|------------------|
| On demand or within one year | 9,860            | 7,600            |
| After one year               | 8,200            | 7,400            |
|                              | <b>18,060</b>    | 15,000           |

Details of the impairment assessment of contract assets are set out in note 19.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. IMPAIRMENT ASSESSMENTS OF TRADE RECEIVABLES AND CONTRACT ASSETS

In order to minimise credit risk, the Group makes periodic individual assessments on the recoverabilities of trade receivables and contract assets and develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management of the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors.

| Internal credit rating | Description  | Basis for recognising ECL          |
|------------------------|--|------------------------------------|
| Strong                 | The counterparty, as the department within the government, has a low risk of default   | Lifetime ECL — not credit-impaired |
| Good                   | The counterparties, as listed companies with strong financial background based on the published financial information publicly available in the market, creditability and good repayment record, has a low risk of default | Lifetime ECL — not credit-impaired |
| Satisfactory           | The counterparties, having no balances past due over 30 days or occasionally having certain balances past due over 30 days and with good repayment record, has moderate default risk                                       | Lifetime ECL — not credit-impaired |
| Loss                   | 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              |

In determining the ECL for trade receivables and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade receivables and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The table below provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed individually based on internal credit rating as at 31 March 2020 and 2019 within lifetime ECL (not credit-impaired).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. IMPAIRMENT ASSESSMENTS OF TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

| Internal credit rating     | Average loss rate | Gross carrying amount<br>HK\$'000 | Impairment losses<br>HK\$'000 |
|----------------------------|-------------------|-----------------------------------|-------------------------------|
| <b>As at 31 March 2020</b> |                   |                                   |                               |
| Strong                     | 0.03%             | 22,152                            | 7                             |
| Good                       | 0.45%             | 30,147                            | 135                           |
| Satisfactory               | 1.86%             | 42,078                            | 782                           |
|                            |                   | <b>94,377</b>                     | <b>924</b>                    |
| <b>As at 31 March 2019</b> |                   |                                   |                               |
| Strong                     | 0.03%             | 9,569                             | 3                             |
| Good                       | 0.51%             | 35,544                            | 181                           |
| Satisfactory               | 1.79%             | 37,429                            | 670                           |
|                            |                   | 82,542                            | 854                           |

The ECL on trade receivables and contract assets are estimated individually by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

A trade receivable or contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowances for the trade receivables and contract assets. The individual assessment is regularly reviewed by the management of the Group to ensure relevant information about the specific debtor is updated.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. IMPAIRMENT ASSESSMENTS OF TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The movement of the impairment losses in respect of trade receivables and contract assets during the year is as follows:

|  | Lifetime ECL —<br>not credit-impaired |                                | Lifetime ECL —<br>credit-impaired |                                | Total<br>HK\$'000 |
|--|---------------------------------------|--------------------------------|-----------------------------------|--------------------------------|-------------------|
|  | Trade<br>receivables<br>HK\$'000      | Contract<br>assets<br>HK\$'000 | Trade<br>receivables<br>HK\$'000  | Contract<br>assets<br>HK\$'000 |                   |
| At 1 April 2018  | 93                                    | 328                            | –                                 | 3,821                          | 4,242             |
| Reversal of impairment losses due to financial<br>assets recognised at 1 April 2018  | (93)                                  | (195)                          | –                                 | (1,359)                        | (1,647)           |
| New financial assets recognised<br>during the year — impairment<br>losses recognised | 130                                   | 591                            | –                                 | 210                            | 931               |
| At 31 March 2019   | <b>130</b>                            | <b>724</b>                     | –                                 | <b>2,672</b>                   | <b>3,526</b>      |
| Reversal of impairment losses due to financial<br>assets recognised at 31 March 2019 | <b>(130)</b>                          | <b>(365)</b>                   | –                                 | <b>(1,359)</b>                 | <b>(1,854)</b>    |
| New financial assets recognised<br>during the year — impairment<br>losses recognised | <b>135</b>                            | <b>430</b>                     | –                                 | –                              | <b>565</b>        |
| At 31 March 2020   | <b>135</b>                            | <b>789</b>                     | –                                 | <b>1,313</b>                   | <b>2,237</b>      |

There is no transfer between the above categories during both years.

## 20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

At the end of the reporting period, the amount was unsecured, non-trade nature, interest-free and repayable on demand.

Details of amount due from ultimate holding company are as follows:

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Platinum Lotus                             | –                | 19               |
|  |                  |                  |
|  |                  |                  |
|  |                  |                  |
| Maximum amount outstanding during the year |                  |                  |
| Platinum Lotus                             | <b>23</b>        | 19               |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 March 2020, the pledged bank deposits of HK\$5,122,000 (2019: nil), which carry interest rate at 1% (2019: nil) per annum, have been pledged to secure surety bonds of an aggregate balance of HK\$5,122,000 (2019: nil) given by a bank as disclosed in notes 34 and 35.

Bank balances and cash represent cash held by the Group and short-term bank deposits with an original maturity of three months or less at an average interest rate of 0.03% (2019: 0.03%) per annum as at 31 March 2020.

Details of impairment assessment of bank balances are set out in note 31.

## 22. TRADE AND OTHER PAYABLES

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Trade payables                           | 9,717            | 14,101           |
| Retention payables                       | 4,543            | 4,007            |
| Accrued expenses                         | 2,471            | 2,559            |
| Accrued listing expenses and issue costs | 4,550            | 652              |
|  | <b>21,281</b>    | 21,319           |

The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

|               | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------|------------------|------------------|
| 0 to 30 days  | 8,486            | 13,531           |
| 31 to 60 days | 648              | 562              |
| 61 to 90 days | 583              | 8                |
|               | <b>9,717</b>     | 14,101           |

The credit period of trade payables is usually ranging from 0 to 30 days.

Trade payables are denominated in currency other than the functional currency of the respective group entity is set out below.

|                  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------|------------------|------------------|
| Renminbi ("RMB") | 1,069            | 571              |

Retention payables to subcontractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period ranging from 1 to 2 years after completion of the relevant works.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 22. TRADE AND OTHER PAYABLES (CONTINUED)

The retention payables are to be settled at the end of the reporting period as follows:

|                              | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------|------------------|------------------|
| On demand or within one year | 1,569            | 1,396            |
| After one year               | 2,974            | 2,611            |
|                              | <b>4,543</b>     | 4,007            |

## 23. LEASE LIABILITIES

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Lease liabilities payable:   |                  |                  |
| — within one year  | 1,466            | 913              |
| — more than one year but not exceeding two years                               | 1,034            | 638              |
| — more than two years but not exceeding five years                             | 363              | 172              |
|  | <b>2,863</b>     | 1,723            |
| Less: Amount due for settlement with 12 months shown under current liabilities | <b>(1,466)</b>   | (913)            |
| Amount due for settlement after 12 months shown under non-current liabilities  | <b>1,397</b>     | 810              |

As at 31 March 2020, the amounts are secured by rental deposits with carrying values of HK\$444,000 (2019: HK\$364,000).

## 24. BANK BORROWINGS

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Factoring loans                                       | –                | 8,300            |
| Other bank borrowings                                 | <b>34,582</b>    | 24,179           |
| Variable-rate, secured and guaranteed bank borrowings | <b>34,582</b>    | 32,479           |
| Carrying amounts of bank borrowings repayable*:       |                  |                  |
| Within one year                                       | <b>34,582</b>    | 32,479           |

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above variable-rate bank borrowings as at 31 March 2020 bear interests ranging from Hong Kong Prime Rate minus 1.0% to 1.5% (2019: Hong Kong Prime Rate minus 1.0% to 1.5%) per annum to Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% to 3.0% (2019: HIBOR plus 2.5% to 2.75%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 24. BANK BORROWINGS (CONTINUED)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

|                                     | 2020      | 2019      |
|-------------------------------------|-----------|-----------|
| Effective interest rates per annum: |           |           |
| Variable-rate bank borrowings       | 3.8%–5.1% | 3.9%–4.7% |

As at 31 March 2019, the secured and guaranteed bank borrowings of HK\$8,300,000 were secured by trade receivables of HK\$11,150,000, as set out in notes 33 and 34.

As at 31 March 2020, included in secured and guaranteed bank borrowings of HK\$6,689,000 (2019: nil) are guaranteed by the HKMC Insurance Limited under the SME Financing Guarantee Scheme. This guarantee has been replaced by the corporate guarantee provided by the Company upon the Listing.

As at 31 March 2020, details of banking facilities guaranteed by related parties and secured by assets owned by related parties are set out in note 29.

As at 31 March 2020, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$17,013,000 (2019: HK\$10,411,000).

## 25. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the year:

|                          | Loss allowances for trade receivables<br>HK\$'000 | Loss allowance for contract assets<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------|---|--|-------------------|
| As at 1 April 2018       | 16  | 54   | 70                |
| Credit to profit or loss | 5   | 66   | 71                |
| As at 31 March 2019      | 21  | 120  | 141               |
| Credit to profit or loss | 1   | 11   | 12                |
| As at 31 March 2020      | 22  | 131  | 153               |

As at 31 March 2020 and 2019, the Group has no unused tax losses available for offsetting future profits.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 26. SHARE CAPITAL

For the purpose of presenting the consolidated financial statements, the balance of share capital of the Group at 1 April 2018 represented the share capital of ICGL (Hong Kong).

The share capital as at 31 March 2020 and 2019 represented the share capital of the Company.

|  | Number<br>of shares<br>'000 | Amount<br>HK\$'000 | Shown in<br>consolidated<br>financial<br>statements as<br>HK\$'000 |
|--|-----------------------------|--------------------|--|
| Ordinary share of HK\$0.01 each                                  |                             |                    |  |
| Authorised:  |                             |                    |  |
| At 14 November 2018 (date of incorporation) and<br>31 March 2019 | 38,000                      | 380                | N/A  |
| Increase in authorised share capital (Note)                      | 9,962,000                   | 99,620             | N/A  |
| At 31 March 2020   | 10,000,000                  | 100,000            | N/A  |

|   | Number<br>of shares | Amount<br>HK\$ | Shown in<br>consolidated<br>financial<br>statements as<br>HK\$'000 |
|---|---------------------|----------------|--|
| Issued and paid:                            |                     |                |  |
| At 14 November 2018 (date of incorporation) | 1                   | –              | – #  |
| Issue of shares (notes 2(iv) and 2(v))      | 199                 | 2              | – #  |
| At 31 March 2019 and 2020                   | 200                 | 2              | – #  |

# Less than HK\$1,000

Note: The authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of 9,962,000,000 additional shares.

## 27. RETIREMENT BENEFIT SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of an independent trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK\$1,500 per month for each employee to the scheme.

The total contributions to the MPF scheme charged to the consolidated statement of profit or loss and other comprehensive income are set out in notes 10 and 11.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 28. SHARE OPTION SCHEME

In order to provide incentives or rewards to participants of the share option scheme including the directors of the Company and eligible employees of the Group, the then sole shareholder of the Company passed an ordinary resolution at a shareholder's meeting of the Company held on 5 March 2020 to approve the adoption of a share option scheme (the "Share Option Scheme"). No share options were granted under the Share Option Scheme since its adoption on 5 March 2020. The major terms of the Share Option Scheme are summarised as follows:

### (a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to participants for their contribution to the Group.

### (b) Eligibility

Eligible participants include employees (any full-time or part-time employees, including executive directors and independent non-executive directors) and advisers and consultants of the Group.

### (c) Maximum number of shares

- (i) The Company may not grant any options if the number of shares exceeds 30% of the shares in issue from time to time.
- (ii) The total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the shares in issue as of the listing date, 15 April 2020 ("**Listing Date**"). On the basis of 2,000,000,000 shares in issue on the Listing Date, the scheme mandate limit will be equivalent to 200,000,000 shares, representing 10% of the shares in issue as of the Listing Date.
- (iii) Subject to the approval of shareholders in general meeting, the Company may refresh the scheme mandate limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other schemes under the scheme mandate limit as refreshed must not exceed 10% of the shares in issue as of the date of such shareholders' approval.

### (d) Period of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 28. SHARE OPTION SCHEME (CONTINUED)

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

The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Share Option Scheme and other share option schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. Where any further grant of options to a participant (the "Further Grant") would result in the shares issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme and other share option schemes to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the shares in issue from time to time, the Further Grant must be separately approved by the shareholders of the Company in general meeting with such participant and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the participant is a connected person) abstaining from voting.

In relation to the Further Grant, the Company must send a circular to the shareholders and the circular must disclose the identity of the relevant participant, the number and the terms of the options to be granted (and options previously granted to such participant under the Share Option Scheme and other share option schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Company's shareholders' approval and the date of meeting of the board of directors of the Company for proposing the Further Grant should be taken as the offer date for the purpose of calculating the exercise price.

### (f) Payment on acceptance of the option

HK\$1 is payable by the grantee to the Company on acceptance of the share option offer. The share option offer will be offered for acceptance for a period of 28 days from the date on which the offer is granted.

### (g) Subscription price for shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the board of directors of the Company at least the higher of:

- (i) the closing price of the shares; and
- (ii) the average closing price of the shares for the five consecutive business days immediately preceding the offer date.

### (h) The remaining life of the share option

10 years (expiring on 14 April 2030).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 29. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions:

| (a)                                    | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Disposal of a motor vehicle to Mr. Chu | –                | 668              |

Mr. Chu provided unlimited personal guarantees to banks in respect of the banking facilities granted to the Group as at 31 March 2020 and 2019. Ms. Dai Wing Yi Marjor (the spouse of Mr. Chu) provided personal guarantees of HK\$10,000,000 (2019: HK\$10,000,000) to banks in respect of the banking facilities granted to the Group as at 31 March 2020.

Mr. Chu and Ms. Dai Wing Yi Marjor also pledged the properties owned by them to secure the banking facilities granted to the Group as at 31 March 2020 and 2019.

Mr. Chu also pledged fixed deposits of HK\$8,000,000 (2019: HK\$5,000,000) owned by him as at 31 March 2020, to secure the banking facilities granted to the Group.

The personal guarantees and pledge of assets have been replaced by the pledge of bank deposits of the Group and the corporate guarantee provided by the Company upon the Listing.

### (b) Compensation of key management personnel

The remuneration of key management personnel, including executive directors of the Company and other key executives of the Group, during the year is as follows:

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Short-term employee benefits            | 5,522            | 5,560            |
| Retirement benefit scheme contributions | 108              | 99               |
|   | 5,630            | 5,659            |

The remuneration of key management personnel is determined by the management of the Group having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities and bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of net debts or the repayment of the existing debts.

## 31. FINANCIAL INSTRUMENTS

### Categories of financial instruments

|                                    | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| <b>Financial assets</b>            |                  |                  |
| Financial assets at amortised cost | 34,221           | 32,379           |
| <b>Financial liabilities</b>       |                  |                  |
| Amortised cost                     | 48,842           | 67,806           |

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, refundable rental deposits, amount due from ultimate holding company, pledged bank deposits, bank balances and cash, trade and other payables, dividend payable, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### Currency risk

The functional currency of the group entities is HK\$, the currency in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary liabilities of the group entities at the end of the reporting period are disclosed in note 22.

The management of the Group considers that the currency risk of those monetary liabilities is not significant to the Group. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary liabilities recorded in the statements of financial position of the group entities at the end of the reporting period are as follows:

|                  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------|------------------|------------------|
| RMB against HK\$ | 1,069            | 571              |

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$. The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency (i.e. HK\$) against the relevant foreign currency (i.e. RMB). 10% is the sensitivity rate used which represents the Group's management's assessment of the reasonably possible change in a foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in a foreign currency rate. A positive number below indicates an increase in post-tax profit where HK\$ strengthens 10% against RMB. For a 10% weakening of HK\$ against RMB, there would be an equal and opposite impact on the post-tax profit and the amount below would be negative.

|                  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------|------------------|------------------|
| RMB against HK\$ | 89               | 48               |

##### Interest rate risk

The cash flow interest rate risk relate primarily to the Group's variable-rate bank borrowings which were linked to HIBOR and Hong Kong Prime Rate and bank balances at the prevailing market deposit rate. The Group is also exposed to fair value interest rate risk in relation to the Group's fixed-rate pledged bank deposits and lease liabilities. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Interest rate risk (Continued)

The management of the Group consider the Group's exposure of bank balances to interest rate is not significant as interest bearing bank balances are within short maturity period. The Group's sensitivity to interest rate risk had been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis was prepared assuming amount outstanding at the end of the reporting period was outstanding for the whole year. The Group's sensitivity to interest rate risk at the end of the reporting period while all other variables were held constant is as follows:

|   | 2020                             | 2019               |
|---|----------------------------------|--------------------|
| Reasonably possible change in interest rate         | <b>50</b><br><b>basis points</b> | 50<br>basis points |
|   | <b>2020</b><br><b>HK\$'000</b>   | 2019<br>HK\$'000   |
| (Decrease) increase in post-tax profit for the year |                                  |                    |
| — as a result of increase in interest rate          | <b>(144)</b>                     | (136)              |
| — as a result of decrease in interest rate          | <b>144</b>                       | 136                |

#### Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 March 2020, the Group has concentration of credit risk on trade receivables as 18% (2019: 62%) of the total trade receivables was due from the Group's largest customer and 60% (2019: 84%) of the total trade receivables were due from the Group's five largest customers.

The management of the Group has made periodic assessment as well as individual assessment on recoverability of trade receivables and contract assets based on historical settlement records and adjusted for forward-looking information. In determining the lifetime ECL for trade receivables and contract assets, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. Details of the impairment assessment on trade receivables and contract assets are set out in note 19.

Details of the impairment assessment on other receivables (including refundable rental deposits) are set out in note 17.

In determining the ECL for amount due from ultimate holding company, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, and concluded that credit risk inherent in the Group's outstanding amount due from ultimate holding company is insignificant.

The management of the Group considers the bank balances that are deposited with financial institution with high credit rating to be low credit risk financial assets. The management of the Group considers the probability of default is negligible and accordingly, no loss allowance is recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity and the management of the Group monitors the utilisation of bank borrowings and ensure compliance with loan covenants. The Group's management believes that the Group will have sufficient working capital for its future operational requirement.

The table below details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

|   | Weighted<br>average<br>interest rate<br>% | On demand<br>or less than<br>3 months<br>HK\$'000 | More than<br>3 months<br>but less than<br>1 year<br>HK\$'000 | 1–5 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>HK\$'000 |
|---|---|---|--|-----------------------|---|--------------------------------|
| <b>Non-derivative financial liabilities</b> |   |   |  |                       |   |                                |
| At 31 March 2020                            |   |   |  |                       |   |                                |
| Trade and other payables                    | N/A                                       | 10,160  | 1,126  | 2,974                 | 14,260  | 14,260                         |
| Bank borrowings                             | 3.8                                       | 18,476  | 16,559   | –                     | 35,035  | 34,582                         |
| Lease liabilities                           | 4.3                                       | 399   | 1,156  | 1,436                 | 2,991   | 2,863                          |
|   |   | 29,035  | 18,841   | 4,410                 | 52,286  | 51,705                         |
| <b>Non-derivative financial liabilities</b> |   |   |  |                       |   |                                |
| At 31 March 2019                            |   |   |  |                       |   |                                |
| Trade and other payables                    | N/A                                       | 14,101  | 1,396  | 2,611                 | 18,108  | 18,108                         |
| Dividend payable                            | N/A                                       | 17,219  | –  | –                     | 17,219  | 17,219                         |
| Bank borrowings                             | 4.2                                       | 16,124  | 16,757   | –                     | 32,881  | 32,479                         |
| Lease liabilities                           | 4.7                                       | 335   | 636  | 838                   | 1,809   | 1,723                          |
|   |   | 47,779  | 18,789   | 3,449                 | 70,017  | 69,529                         |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amounts of these bank borrowings amounted to HK\$17,013,000 (2019: HK\$10,411,000). Taking into account the Group’s financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group’s variable-rate bank borrowings as at 31 March 2020 and 2019 based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

|                                      | Weighted<br>average<br>interest rate<br>% | Less than<br>1 month<br>HK\$'000 | 1–3 months<br>HK\$'000 | 3 months<br>to 1 year<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Total<br>carrying<br>amount<br>HK\$'000 |
|--------------------------------------|---|----------------------------------|------------------------|-----------------------------------|---|---|
| <b>Variable-rate bank borrowings</b> |   |                                  |                        |                                   |   |   |
| As at 31 March 2020                  | 4.3                                       | 3,227                            | 9,434                  | 22,375                            | 35,036  | 34,582                                  |
| As at 31 March 2019                  | 4.2                                       | 936                              | 13,168                 | 18,901                            | 33,005  | 32,479                                  |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

#### Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

# 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 or used in financing activities.

|  | <b>Bank<br/>borrowings</b> | <b>Leases<br/>liabilities</b> | <b>Accrued<br/>interest<br/>expenses</b> | <b>Dividend<br/>payable</b> | <b>Accrued<br/>issue costs</b> | <b>Total</b>  |
|--|----------------------------|-------------------------------|--|-----------------------------|--------------------------------|---------------|
|  | HK\$'000                   | HK\$'000                      | HK\$'000                                 | HK\$'000                    | HK\$'000                       | HK\$'000      |
| At 1 April 2018                          | –                          | 3,202                         | –  | 360                         | –                              | 3,562         |
| Financing cash flows                     | 32,479                     | (1,308)                       | (183)                                    | (4,019)                     | (1,355)                        | 25,614        |
| Dividend recognised<br>as distribution   | –                          | –                             | –  | 26,000                      | –                              | 26,000        |
| Interest expenses                        | –                          | 104                           | 224                                      | –                           | –                              | 328           |
| Recognition of new leases                | –                          | 66                            | –  | –                           | –                              | 66            |
| Early termination of a<br>lease contract | –                          | (341)                         | –  | –                           | –                              | (341)         |
| Issue costs accrued                      | –                          | –                             | –  | –                           | 1,480                          | 1,480         |
| Non-cash transaction (Note)              | –                          | –                             | –  | (5,122)                     | –                              | (5,122)       |
| <b>At 31 March 2019</b>                  | <b>32,479</b>              | <b>1,723</b>                  | <b>41</b>                                | <b>17,219</b>               | <b>125</b>                     | <b>51,587</b> |
| Financing cash flows                     | 2,103                      | (1,432)                       | (1,226)                                  | (17,219)                    | (2,279)                        | (20,053)      |
| Interest expenses                        | –                          | 131                           | 1,320                                    | –                           | –                              | 1,451         |
| Recognition of new leases                | –                          | 2,441                         | –  | –                           | –                              | 2,441         |
| Issue costs accrued                      | –                          | –                             | –  | –                           | 3,524                          | 3,524         |
| <b>At 31 March 2020</b>                  | <b>34,582</b>              | <b>2,863</b>                  | <b>135</b>                               | <b>–</b>                    | <b>1,370</b>                   | <b>38,950</b> |

Note: The amount represented the dividend offset with amount due from a director as set out in note 36.

## 33. TRANSFER OF FINANCIAL ASSETS

Included in the Group's trade receivables were amounts of HK\$11,150,000 as at 31 March 2019, being transferred to a bank by factoring the relevant trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to the trade receivables, it continued to recognise the full carrying amount of the trade receivables and recognised the cash received from factoring of trade receivables with full recourse as bank borrowings (note 24). The trade receivables were carried at amortised cost in the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 33. TRANSFER OF FINANCIAL ASSETS (CONTINUED)

### Trade receivables transferred to a bank with full recourse

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Carrying amount of trade receivables      | –                | 11,150           |
| Carrying amount of associated liabilities | –                | (8,300)          |
| Net position                              | –                | 2,850            |

## 34. PLEDGE OF ASSETS

At 31 March 2019, the Group's trade receivables of HK\$11,150,000 were pledged to secure bank borrowings granted to the Group as set out in note 24.

As at 31 March 2020, the pledged bank deposits of HK\$5,122,000 (2019: nil) have been pledged to secure surety bonds of an aggregate balance of HK\$5,122,000 (2019: nil) given by a bank as disclosed in notes 21 and 35.

## 35. PERFORMANCE GUARANTEES

As at 31 March 2020, surety bonds of an aggregate balance of HK\$5,122,000 (2019: nil) were given by a bank in favour of the Group's customers as security for the performance and observance of the Group's obligations under the construction contracts entered into between the Group and the customers. If the Group fails to provide satisfactory performance to the customers to whom the performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under letters of guarantees of the Group and were secured by pledged bank deposits of HK\$5,122,000 (2019: nil) (notes 21 and 34). The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees.

## 36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2019, ICGL (Hong Kong) declared dividends of HK\$26,000,000 and amounts of HK\$5,122,000 were offset with the current account with Mr. Chu.

During the year ended 31 March 2020, right-of-use assets with a total capital value of HK\$2,441,000 (2019: HK\$331,000), with the corresponding amount of lease liabilities of HK\$2,441,000 (2019: HK\$66,000) and provision of reinstatement costs of nil (2019: HK\$265,000) were recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| Non-current asset                |                  |                  |
| Interest in a subsidiary         | 1                | 1                |
| Current assets                   |                  |                  |
| Other receivables                | 5,004            | 2,420            |
| Amount due from a subsidiary     | 10,681           | –                |
| Bank balances and cash           | 50               | –                |
|                                  | <b>15,735</b>    | 2,420            |
| Current liabilities              |                  |                  |
| Other payables                   | 4,550            | 339              |
| Amounts due to subsidiaries      | –                | 5,678            |
|                                  | <b>4,550</b>     | 6,017            |
| Net current assets (liabilities) | <b>11,185</b>    | (3,597)          |
| Net assets (liabilities)         | <b>11,186</b>    | (3,596)          |
| Capital and reserve              |                  |                  |
| Share capital                    | –#               | –#               |
| Reserve                          | 11,186           | (3,596)          |
| Total equity (deficit)           | <b>11,186</b>    | (3,596)          |

# Less than HK\$1,000

Movement in the Company's reserve:

|   | (Accumulated<br>losses)/<br>retained<br>profits<br>HK\$'000 |
|---|---|
| At 14 November 2018 (date of incorporation)         | –   |
| Loss and total comprehensive expense for the period | (3,596)   |
| At 31 March 2019                                    | (3,596)   |
| Profit and total comprehensive income for the year  | 14,782  |
| At 31 March 2020                                    | 11,186  |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. PARTICULAR OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2020 and 2019 are as follows:

| Name of subsidiary      | Place and date of incorporation | Place of operation | Issued and fully paid share capital | Equity interests attributable to the Group |        | Principal activities  |
|-------------------------|---------------------------------|--------------------|-------------------------------------|--|--------|---|
|                         |                                 |                    |                                     | 2020 %                                     | 2019 % |   |
| <b>Directly held:</b>   |                                 |                    |                                     |  |        |   |
| Plateau Star            | BVI<br>3 May 2018               | Hong Kong          | US\$100                             | 100  | 100    | Investment holding  |
| <b>Indirectly held:</b> |                                 |                    |                                     |  |        |   |
| ICGL (Hong Kong)        | Hong Kong<br>4 May 2007         | Hong Kong          | HK\$10,000,000                      | 100  | 100    | Design, supply and installation services of façade works and building metal finishing works |

None of the subsidiaries had issued any debt securities at the end of the reporting period.

## 39. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the following significant events took place subsequent to 31 March 2020:

- (i) The shares of the Company are listed on the Stock Exchange on 15 April 2020. On 15 April 2020, the Company allotted and issued 50,000,000 and 450,000,000 new shares of par value of HK\$0.01 each at offer price of HK\$0.25 each, credited as fully paid, pursuant to the Hong Kong Public Offering and International Offering as defined in the prospectus of the Company dated 30 March 2020, respectively.
- (ii) The share premium account of the Company was credited as a result of the Listing, the Company capitalised an amount of HK\$14,999,998 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 1,499,999,800 shares for allotment and issue to the shareholders of the Company on 15 April 2020.

# Financial Summary

The financial summary of the Group for the last four financial years, as extracted from this annual report and the Prospectus, is set forth below.

## CONSOLIDATED RESULTS

|   | <b>2020</b><br><b>HK\$'000</b> | <b>For the year ended 31 March</b> |                  |                  |
|---|--------------------------------|------------------------------------|------------------|------------------|
|   |                                | 2019<br>HK\$'000                   | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
| Revenue   | <b>243,453</b>                 | 202,786                            | 166,751          | 105,822          |
| Gross profit  | <b>70,958</b>                  | 61,784                             | 50,778           | 30,900           |
| Profit before taxation                                | <b>43,398</b>                  | 44,996                             | 38,961           | 19,603           |
| Income tax expense                                    | <b>(9,240)</b>                 | (8,506)                            | (6,406)          | (3,200)          |
| Profit and total comprehensive income<br>for the year | <b>34,158</b>                  | 36,490                             | 32,555           | 16,403           |

## CONSOLIDATED ASSETS AND LIABILITIES

|                   | <b>2020</b><br><b>HK\$'000</b> | <b>As at 31 March</b> |                  |                  |
|-------------------|--------------------------------|-----------------------|------------------|------------------|
|                   |                                | 2019<br>HK\$'000      | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
| Total assets      | <b>125,029</b>                 | 104,144               | 44,676           | 33,739           |
| Total liabilities | <b>62,765</b>                  | 76,038                | 26,709           | 26,327           |
| Total equity      | <b>62,264</b>                  | 28,106                | 17,967           | 7,412            |

Notes:

1. No financial statement of the Group for the year ended 31 March 2016 has been published. Therefore, only the financial summary for the last four financial years is presented.
2. The summary above does not form part of the audited consolidated financial statements.