



Chi Ho Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8423

Annual Report 2019



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

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.chdev.com.hk.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Ka Ho, Raymond (*Chairman*)

Mr. Ho Chi Kwan

Independent non-executive Directors

Mr. Leung Hung Kwong, Derrick

Mr. Moy Yee Wo, Matthew

Mr. Yau Sze Yeung

COMPANY SECRETARY

Mr. Chung Kiu Pan

COMPLIANCE OFFICER

Mr. Leung Ka Ho, Raymond

COMPLIANCE ADVISER

Alliance Capital Partners Limited

AUTHORISED REPRESENTATIVES

Mr. Leung Ka Ho, Raymond

Mr. Chung Kiu Pan

AUDIT COMMITTEE

Mr. Yau Sze Yeung (*Chairman*)

Mr. Moy Yee Wo, Matthew

Mr. Leung Hung Kwong, Derrick

REMUNERATION COMMITTEE

Mr. Leung Hung Kwong, Derrick (*Chairman*)

Mr. Moy Yee Wo, Matthew

Mr. Yau Sze Yeung

NOMINATION COMMITTEE

Mr. Moy Yee Wo, Matthew (*Chairman*)

Mr. Leung Hung Kwong, Derrick

Mr. Yau Sze Yeung

SAFETY COMPLIANCE COMMITTEE

Mr. Leung Hung Kwong, Derrick (*Chairman*)

Mr. Leung Ka Ho, Raymond

Mr. Ho Chi Kwan

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman, KY1-1108

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B1, 8/F, Yip Fung Industrial Building

28–36 Kwai Fung Crescent

Kwai Chung

New Territories

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman, KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

(with effect from 11 July 2019:

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong)

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

WEBSITE ADDRESS

www.chdev.com.hk

STOCK CODE

8423

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Chi Ho Development Holdings Limited (the "**Company**"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 to the shareholders of the Company.

RESULTS

The total revenue of the Group decreased by approximately HK\$167.9 million or 37.7% from approximately HK\$445.5 million for the year ended 31 March 2018 to approximately HK\$277.6 million for the year ended 31 March 2019. The profit attributable to owners of the Company of the Group decreased by approximately HK\$4.9 million or 21.2% from approximately HK\$23.1 million for the year ended 31 March 2018 to approximately HK\$18.2 million for the year ended 31 March 2019.

BUSINESS REVIEW AND PROSPECT

During the year ended 31 March 2019, the overall market condition of the construction industry in Hong Kong were relatively stable and expected to keep steady growth in the coming years. Looking ahead to the coming years, although certain challenging factors such as (i) the intense competition in the market; (ii) continuously rising the construction labour and material costs; and (iii) the increase in the staff costs and the shortage of the professional may exert pressure on the Group's business, the Group remains cautiously optimistic about the overall business prospects.

To optimise our competitive advantages, we will continue to provide integrated service of both (i) renovation and maintenance works as well as (ii) alteration and addition work and fitting-out works to our customers. We believe that our proven track record and the experience from various types of projects will provide a wide range of quality and professional services to our customers, potential customers and enable us to react to the changing needs of our customers more efficiently and effectively.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, clients, business partners, and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution throughout the years.

Leung Ka Ho, Raymond

Chairman

Hong Kong, 18 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established main contractor for the provision of renovation and maintenance works, alteration and addition works (“**RMAA**”) and fitting-out works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

In respect of renovation and maintenance works, the Group encompasses the general upkeep, restoration and improvement of existing facilities and components of the buildings and their surroundings. As for alteration and addition works and fitting-out works, the Group revolves around the alteration and addition of building layout and structural works and decoration works to the interior spaces to the existing premises.

For the year ended 31 March 2019, there were 40 projects (2018: 30 projects) with revenue contribution undertaken by the Group. The demands for the Group’s RMAA and fitting-out works services remained at a high level. During the year ended 31 March 2019 and up to the date of this annual report, the Group was awarded 24 new projects, with total original contract sum of approximately \$459.6 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out industry. With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) strengthen the market position in the industry and expand the market share by securing more RMAA and fitting-out works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 13 March 2017 (the “**Listing Date**”), to provide surety bonds in favour of the customers; (ii) expanding the customer base and becoming a Group M1 (Maintenance) building contractor; and (iii) strengthening the scope of services and becoming a Registered Specialist Contractor (Sub-register of Site Formation Category).

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$445.5 million for the year ended 31 March 2018 to approximately HK\$277.6 million for the year ended 31 March 2019, representing a decrease of approximately 37.7%. Such decrease was mainly due to the completion of one of our largest projects with the original contract sum of approximately HK\$468.8 million during the year ended 31 March 2019.

Cost of Sales

The cost of sales decreased from approximately HK\$401.5 million for the year ended 31 March 2018 to approximately HK\$238.1 million for the year ended 31 March 2019, representing a decrease of approximately 40.7%. Such decrease was mainly attributable to the decrease in the subcontracting charges with the decrease in the revenue from RMAA and fitting-out projects undertaken by the Group during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Gross profit of the Group decreased by approximately HK\$4.4 million from approximately HK\$43.9 million for the year ended 31 March 2018 to approximately HK\$39.5 million for the year ended 31 March 2019. The overall gross profit margin increased from approximately 9.9% for the year ended 31 March 2018 to approximately 14.2% for the year ended 31 March 2019 as the projects undertaken by the Group during the year ended 31 March 2019 are generally in higher gross profit margin, resulting in the extent of decrease in subcontracting charges and construction material costs is higher than that of the decrease in revenue for the year ended 31 March 2019.

Other expenses

Other expenses solely represented the professional fees incurred for transfer of listing (the "Transfer of Listing") during the year.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$0.4 million or 3.1% from approximately HK\$13.1 million for the year ended 31 March 2018 to approximately HK\$12.7 million for the year ended 31 March 2019.

Administrative expenses primarily consist of staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The decrease was mainly attributable to the net effect of (i) the increase in staff costs paid to directors and staff due to business expansion, (ii) the abovementioned audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the year and (iii) the cost saving in other operating expenses.

Finance Costs

Finance costs for the Group decreased by approximately HK\$0.1 million or 5.6% from approximately HK\$1.8 million for the year ended 31 March 2018 to approximately HK\$1.7 million for the year ended 31 March 2019. It was mainly due to the decrease in usage of loan settlement for trade payables and factoring loan during the year ended 31 March 2019.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$0.8 million or 17.0% from approximately HK\$4.7 million for the year ended 31 March 2018 to approximately HK\$3.9 million for the year ended 31 March 2019. The decrease was mainly attributable to (i) the decrease in profit before tax from approximately HK\$27.8 million for the year ended 31 March 2018 to approximately HK\$22.1 million for the year ended 31 March 2019; and (ii) the benefit from the two-tiered profits tax rates regime.

Profit and Total Comprehensive Income for the year attributable to the owners of the Company

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK\$4.9 million or 21.2% from approximately HK\$23.1 million for the year ended 31 March 2018 to approximately HK\$18.2 million for the year ended 31 March 2019.

Such decrease was primarily attributable to the combined effect of (i) the professional fees incurred for Transfer of Listing by the Group for the year ended 31 March 2019; and (ii) the decrease in gross profit for the year ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio maintained at approximately 1.7 time as at 31 March 2018 and 31 March 2019.

As at 31 March 2019, the Group had bank borrowings of approximately HK\$44.6 million (2018: HK\$42.8 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, slightly increased from approximately 48.9% as at 31 March 2018 to approximately 49.2% as at 31 March 2019 due to the increase in bank borrowing of the Group. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premises and carpark spaces. The Group's operating lease commitments amounted to approximately HK\$71,000 as at 31 March 2019 (2018: approximately HK\$112,000).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 5 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2019, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save as disclosed on note 35 of the notes to the consolidated financial statements, as at 31 March 2018 and 2019, the Group did not have other material contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF GROUP'S ASSETS

As at 31 March 2019, the Group's pledged its assets to banks in order to secure bank loans, bank overdrafts, obligation under a finance lease and general banking facilities granted by these banks as disclosed on note 33 of the notes to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 40 employees (2018: 41 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$20.3 million for the year ended 31 March 2019 (2018: approximately HK\$19.7 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2019 is set out below:

Business objectives	Actual progress
Reserve more capital to satisfy the potential customers' requirement for surety bond	The Group has used HK\$12.5 million to undertake more projects by satisfying potential customers' requirement for surety bond.
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	The Group has used HK\$8.0 million to repay bank borrowings to reduce gearing ratio.
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	The Group has used HK\$8.0 million to support the working capital requirement for applying and maintaining M1 (Maintenance) building contractor license. The Group has re-applied for the application for M1 (Maintenance) building contractor license during the year ended 31 March 2019.
Strengthen the scope of services — site formation	The Group has hired additional project manager and technically competent person to strengthen the scope of service — site formation.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the Listing on 13 March 2017, after deducting listing related expenses, were approximately HK\$38.0 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 31 March 2019 was approximately HK\$7.8 million.

An analysis of the planned amount utilised up to 31 March 2019 is set out below:

	Planned amount utilised up to 31 March 2019	Actual utilised amount as at 31 March 2019	Unutilised amount out of the planned amount as at 31 March 2019
	HK\$'million	HK\$'million	HK\$'million
Reserve more capital to satisfy the potential customers' requirement for surety bond	19.6	12.5	7.1
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	8.0	8.0	–
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	8.0	8.0	–
Strengthen the scope of services — site formation	2.4	1.7	0.7
	38.0	30.2	7.8

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Since the Listing, the Board has recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Leung Ka Ho, Raymond currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 March 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2019.

BOARD OF DIRECTORS

As at 31 March 2019, the Board comprised five Directors, including two executive Directors, namely Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan, and three independent non-executive Directors are Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung.

Mr. Leung Ka Ho, Raymond is the chairman (the "**Chairman**") of the Board.

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. 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 delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety Compliance Committee.

The biographical details of the Directors and other senior management are set out in the section headed with **"Biographical Details of Directors and Senior Management"** of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Leung Ka Ho, Raymond currently assumes the role of both Chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the **"Board Diversity Policy"**) for the year ended 31 March 2019 and up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 March 2019.

CORPORATE GOVERNANCE REPORT

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. During the year ended 31 March 2019, four Board meetings were held. The attendance record of each Director at the Board meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings
Executive Directors	
Mr. Leung Ka Ho, Raymond (<i>Chairman</i>)	4/4
Mr. Ho Chi Kwan	4/4
Independent non-executive Directors	
Mr. Leung Hung Kwong, Derrick	4/4
Mr. Moy Yee Wo, Matthew	4/4
Mr. Yau Sze Yeung	4/4

During the year ended 31 March 2019, an annual general meeting of the Company was held on 13 August 2018. The attendance record of each Director at the annual general meeting is set out in the table below:

Name of Directors	Number of attendance/ number of general meeting
Mr. Leung Ka Ho, Raymond (<i>Chairman</i>)	1/1
Mr. Ho Chi Kwan	1/1
Mr. Leung Hung Kwong, Derrick	1/1
Mr. Moy Yee Wo, Matthew	1/1
Mr. Yau Sze Yeung	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

CORPORATE GOVERNANCE REPORT

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the “Articles”) provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers these independent non-executive Directors to be independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors’ continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

According to the training record maintained by the Company, during the year ended 31 March 2019, all Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of trainings
Executive Directors	
Mr. Leung Ka Ho, Raymond	i, ii
Mr. Ho Chi Kwan	i, ii
Independent non-executive Directors	
Mr. Leung Hung Kwong, Derrick	i, ii
Mr. Moy Yee Wo, Matthew	i, ii
Mr. Yau Sze Yeung	i, ii

i. reading journals and newspaper updates on corporate governance and directors’ duties and responsibility.

ii. attending training/seminars/conferences arranged by the professional firms/organisations.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four board committees, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”), the nomination committee (the “**Nomination Committee**”) and the safety compliance committee (the “**Safety Compliance Committee**”).

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Yau Sze Yeung, Mr. Leung Hung Kwong, Derrick and Mr. Moy Yee Wo, Matthew. The chairman of the Audit Committee is Mr. Yau Sze Yeung, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee is mainly responsible for the followings:

- (a) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;
- (c) monitor the integrity of the Company’s annual report, interim financial reports and quarterly reports before submission to the Board, and focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting.

CORPORATE GOVERNANCE REPORT

- (d) Oversight of the Company's financial reporting system, risk management and internal control systems
- (i) reviewing the Company's financial controls, accounting policies and the risk management and internal control systems;
 - (ii) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
 - (iii) where an internal audit function exists, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
 - (iv) reviewing the external auditor's management letter and management's response;
 - (v) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter.

During the year ended 31 March 2019, four Audit Committee meetings were held. The attendance record of each Director at the Audit Committee meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Audit Committee meetings
Mr. Yau Sze Yeung (<i>Chairman</i>)	4/4
Mr. Leung Ka Ho, Raymond	4/4
Mr. Ho Chi Kwan	4/4
Mr. Leung Hung Kwong, Derrick	4/4
Mr. Moy Yee Wo, Matthew	4/4

The Consolidated Financial Statements and this report have been reviewed by the Audit Committee. No material issues were identified and reported by the Audit Committee to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established comprising three independent non-executive Directors, namely Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung, with Mr. Leung Hung Kwong, Derrick as the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The main roles and functions of the Remuneration Committee include the followings:

- (a) establish a formal and transparent procedure for developing remuneration policy;
- (b) recommend to the Board the policy and structure for the remuneration of directors and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;
- (c) determine the remuneration of directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The chairman and/or the chief executive shall be consulted respectively about their proposals relating to the remuneration of the chief executive and/or senior management, as the case may be;
- (d) review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be consistent with contractual terms and fair and not excessive;
- (e) determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and
- (f) consider the annual performance bonus for executive directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to corporate goals and objectives resolved by the Board, and make recommendation of the Board.

During the year ended 31 March 2019, four Remuneration Committee meetings were held. The attendance record of each Director at the Remuneration Committee meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Remuneration Committee meetings
Mr. Leung Hung Kwong, Derrick (<i>Chairman</i>)	4/4
Mr. Leung Ka Ho, Raymond	4/4
Mr. Ho Chi Kwan	4/4
Mr. Moy Yee Wo, Matthew	4/4
Mr. Yau Sze Yeung	4/4

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 13 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established comprising three independent non-executive Directors, namely Mr. Moy Yee Wo, Matthew, Mr. Leung Hung Kwong, Derrick and Mr. Yau Sze Yeung, with Mr. Moy Yee Wo, Matthew as the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The main roles and functions of the Nomination Committee include the followings:

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually to complement the Company's corporate strategy;
- (b) identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise;
- (c) make recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive;
- (d) assess the independence of independent non-executive Directors; and
- (e) implement and review the Board Diversity Policy to ensure its effectiveness; and make disclosure of its review results in the corporate governance report of the Company's annual report.

During the year ended 31 March 2019, four Nomination Committee meetings were held. The attendance record of each Director at the Nomination Committee meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Nomination Committee meetings
Mr. Moy Yee Wo, Matthew (<i>Chairman</i>)	4/4
Mr. Leung Ka Ho, Raymond	4/4
Mr. Ho Chi Kwan	4/4
Mr. Leung Hung Kwong, Derrick	4/4
Mr. Yau Sze Yeung	4/4

CORPORATE GOVERNANCE REPORT

SAFETY COMPLIANCE COMMITTEE

The Safety Compliance Committee was established with written terms of reference. It currently comprises three members, being Mr. Leung Hung Kwong, Derrick, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan, with Mr. Leung Hung Kwong, Derrick as the chairman of the Safety Compliance Committee. The primary duties of the Safety Compliance Committee are to assist the Board in overseeing the compliance with laws and regulations relevant to health and safety as well as the adequacy and effectiveness of the safety plans of the Group.

During the year ended 31 March 2019, four Safety Compliance Committee meetings were held. The attendance record of each Director at the Safety Compliance Committee meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Safety Compliance Committee meetings
Mr. Leung Hung Kwong, Derrick (<i>Chairman</i>)	4/4
Mr. Leung Ka Ho, Raymond	4/4
Mr. Ho Chi Kwan	4/4

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, DELOITTE TOUCHE TOHMATSU, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report on pages 40 to 43 of this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted regularly. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establish, implement, review and evaluate the sound and effective internal control system underpinning the risk management framework. While taking into full account of the new requirements effective from the Listing Date under the GEM Listing Rules brought by Hong Kong Exchanges and Clearing Limited relating to risk management and internal control, the management has formulated the risk management and control framework. All employees are committed to implement the risk management framework into the daily operation.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group's with the acceptable safety levels and achieve the Group's strategic objectives. The Group has adopted a three line risk management approach to identify, analysis, evaluation, mitigate and handle risks. At the first line of defence, staff in office/on site who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the advices and opinions from the external professional party (such as the external auditor) was conducted the review in annual basis and ensures that the first and second lines of defence are performed effective.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 March 2019, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	2019 HK\$'000	2018 HK\$'000
Fees paid/payable for the services rendered		
Statutory audit services	1,050	1,000
Transfer of Listing	580	—

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Chung Kiu Pan was appointed as the company secretary of the Company on 21 October 2016. Mr. Chung has taken no less than 15 hours of relevant professional training for the year ended 31 March 2019. The biographical details of Mr. Chung are set out under the section headed “**Biographical Details of Directors and Senior Management**” of this annual report.

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

- (a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the “**Eligible Shareholder(s)**”) carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the “**Company Secretary**”), to require an extraordinary general meeting (“**EGM**”) to be called by the Board for the transaction of any business specified in such requisition;
- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Unit B1, 8/F, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019: Level 54, Hopewell Centre, 183 Queen Road East, Hong Kong) for the attention of the Board and/or the Company Secretary;
- (c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;
- (d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;
- (e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "**Corporate Information**" of this annual report).

Should there are any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit B1, 8/F, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.chdev.com.hk and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

During the year ended 31 March 2019, there had been no significant change in the Company's constitutional documents.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders (namely Mr. Leung Ka Ho, Raymond, Mr. Ho Chi Kwan, Sharp Talent Holdings Limited ("**Sharp Talent**") and Diamondfield Holdings Limited ("**Diamondfield**") has made an annual declaration to the Company that for the year 31 March 2019, it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings and as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong during the year ended 31 March 2019 and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules ("**ESG Reporting Guide**").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the year ended 31 March 2019. For details of the Group's financial performance and corporate governance matters, please refer to other sections in the annual report of the Company of which this ESG Report forms part.

STAKEHOLDERS ENGAGEMENT

The Group focuses on developing the long-term value for its stakeholders, who comprise the Group's employees, customers, investors, suppliers and contractors, and the community. The Company interacts with stakeholders through various channels to understand the views of various stakeholders and collect their feedback, in order to better satisfy their demands and expectations. Our communication channels with our stakeholders include company website, annual general meeting, annual reports and interim reports, staff meetings, customers and suppliers meeting, etc.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

Emissions

The Group engaged in the construction industry which may generate some hazardous waste due to the business nature. The Group takes all reasonable steps to closely monitor and manage the environmental effect of the operations. The Group targets to minimise the impact on the environment and always seeks less harmful ways to the environment in the operations. The Group has adopted the emission control measures, including but not limiting to: (i) use of ultra-low sulphur diesel for plants and generators; (ii) use of non-road mobile machinery approved with EPD label; (iii) use of air compressor and hand held percussive breaker with noise emission label; (iv) trip-ticket system to record disposal of construction waste to disposal facilities; and (v) open burning is prohibited in all sites. During the year ended 31 March 2019, the Group did not identify any material non-compliance related to emissions.

	2019	2018
Emissions		
Annual Emission Data from Vehicles		
Nitrogen oxides (NOx) (kg)	14.12	14.68
Sulphur oxides (SOx) (kg)	0.26	0.27
Particulate matters (PM) (kg)	1.04	1.08
Greenhouse Gas Emissions		
Direct Emission (Scope 1) (tonnes)	48	50
Indirect Emission (Scope 2) (tonnes)	50	65
Indirect Emission (Scope 3) (tonnes)	14	8
Total Greenhouse Gas Emissions (tonnes)	112	123
Construction and Demolition (C&D) Waste		
C&D Waste (Fill Bank) (tonnes)	1,663	1,353
C&D Waste (Sorting Facility) (tonnes)	2,095	2,314
C&D Waste (Landfill) (tonnes)	2,775	3,310
Total C&D Waste (tonnes)	6,533	6,977

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group is committed to having an environmental friendly working environment. The Group advocates to reducing the consumption of fuel, electricity and improving the resource efficiency by way of: (i) the Group encourages employees to switch off the lights and electronic appliances before they leave the office; (ii) the Group encourages the employee to set the temperature of the office's air conditioner to 25.5 Degree Celsius; (iii) the Group encourages its employee to use double-sided printing instead of single-sided printing; and (iv) the Group arranges the surplus materials on the construction site to be re-used in other construction sites instead of dumping.

	2019	2018
Total Resources Consumption		
Electricity Intensity		
Total Electricity consumption (kWh)	75,606	97,017
Electricity Intensity (kWh/Staff/Day)	5.18	6.48
Water Intensity		
Total Water consumption (m ³)	28	461
Water Consumption Intensity (m ³ /Staff/Day)	0.002	0.031

The Environment and Natural Resources

The Group has developed the Environmental Management System which has been certified to comply with ISO 14001. The Group set up the Environmental Information Board in office in order to spread the practical tips and information about the environmental friendly action to the management and employees in order to minimise the impact of the business on the environment.

EMPLOYMENT

The Group regards people as its greatest asset. To underline this fact, the Group has established clear policies and guidelines to attract and retain talent. The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. The Group delivers a fair and safe working environment for employees to support their career advancement and also fosters their personal development.

Summary of Employment Performance Indicators:

	2019		2018	
Number of Employees	40		41	
By Gender				
Female	14	35%	15	37%
Male	26	65%	26	63%
By Age				
18 or below	-		-	
19 to 40	15		17	
41 to 60	22		23	
Over 60	3		1	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Diversity

Number of Employees by Employee Category	Gender		2019		
	Female	Male	Age Group		
			19 to 40	41 to 60	Over 60
Management	–	2	–	2	–
Project management	7	23	12	15	3
Administration, accounting and finance	4	1	2	3	–
Tender	2	–	1	1	–
Direct worker	1	–	–	1	–
	14	26	15	22	3

Number of Employees by Employee Category	Gender		2018		
	Female	Male	Age Group		
			19 to 40	41 to 60	Over 60
Management	–	2	–	2	–
Project management	7	23	13	16	1
Administration, accounting and finance	4	1	2	3	–
Tender	3	–	2	1	–
Direct worker	1	–	–	1	–
	15	26	17	23	1

Turnover Rate

	2019	2018
Employee Turnover Rate	38%	15%
By Gender		
Female	21%	14%
Male	46%	16%

HEALTH AND SAFETY

As a group that mainly engages in the construction business, the Group places occupational safety and health as a top priority of all works. Our safety and health policy requires all levels of management and supervision to actively participate in adopting all feasible ways to create a safe working environment, as well as monitoring the related implementation. In addition, all of our employees and subcontractors are required to comply with this policy. On the other hand, we are committed to maintaining a high standard of safety and health by complying with the customers' requirement as well as the relevant regulations, including the Occupational Safety and Health Ordinance (Cap. 509) and Factories and Industrial Undertakings Ordinance (Cap. 59).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To enhance the professionalism and safety awareness of our frontline supervisory employees, all foremen are required to hold a Construction Safety Supervisor Certificate. Regular safety meetings are held for safety officers and site supervision teams to share the latest information and good practices with respect to safety.

In view of the importance of promoting the occupational safety and health to all stakeholders, we establish the Safety Compliance Committee to review the safety policy and promote safety and health awareness.

Summary of Health and Safety Performance Indicators

	2019	2018
Work-related fatalities (cases)	-	1
Lost days due to work injury (days)	1,389	594

During the year ended 31 March 2018, there was a fatal accident at a construction site for renovation and plumbing works for external walls at one of our project sites, whereby two workers of the Group's sub contractors were seriously injured in the course of setting up the scaffolding (the "**Fatal Accident**"). As a result of the Fatal Accident, one worker was certified dead at the hospital, while the other has been on sick leave since then. The said Fatal Accident resulted in criminal litigations brought against the Group and the relevant employing subcontractor, such legal proceeding is ongoing as at the date of this report, the next hearing is fixed on 18 November 2019.

For the employees' compensation, the Group has paid approximately HK\$1,021,000 to the family member of the said deceased employee. For the common law personal injuries claim, the Group is in the process of negotiating settlement with the family of the deceased and legal proceedings have not yet commenced. The Directors consider that the liabilities arisen from the Fatal Accident may be covered by insurance taken out for the relevant construction project or may be partially or fully reimbursed from the subcontractor pursuant to the relevant subcontractor agreement, subject to the final judgment of the relevant criminal and civil litigations and the enforcement of contract terms and/or judgment against the subcontractor.

The Directors consider that the accident was independent and isolated incident. Save as disclosed above or otherwise in the annual report, the Group has in all material respects complied with all applicable laws and regulations in Hong Kong in relation to providing a safe working environment and protecting employees from occupational hazards.

Safety Audit

Safety audits were conducted periodically in office (corporate level) and on site (project level) according to the statutory requirements of Factories and Industrial Undertakings (Safety Management) Regulation, to check the efficiency, effectiveness and reliability of the safety management and set up plan for further improvement actions.

OHSAS 18001

Safety Management System was developed. Not only to comply with the statutory requirements, the system has been certified to comply with an international standard of OHSAS 18001 since 2011. This standard is implemented to all projects and is continuously undergoing improvement with latest international trends.

During the year ended 31 March 2019, the Group's has not identified any material non-compliance cases relating to health and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DEVELOPMENT AND TRAINING

The Group believes that people development plays the most pivotal role in laying a solid ground for business growth. The Group encourages long-term growth and career development by allocating sufficient resources to people development. Besides on-the-job training, employees are encouraged to participate in internal and external training to strengthen their capacity, work skills, knowledge and professionalism.

Summary of Development and Training Performance Indicators

By Employee Category and Gender	2019	
	Total Training Hours Female	Male
Management	-	18
Project management	178	264
Administration, accounting and finance	40	20
Tender	-	-
Direct worker	2	-
	220	302

By Employee Category and Gender	2018	
	Total Training Hours Female	Male
Management	-	8
Project management	108	356
Administration, accounting and finance	39	20
Tender	9	-
Direct worker	2	-
	158	384

LABOUR STANDARDS

The Group strictly complies with the Employment Ordinance and fully understands that employing child labour and forced labour is prohibited. The Group review the job applicant's identity information during the recruitment process and the applicant is also required to provide document proofs of academic qualifications and working experience for verifications. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all the employment relationship is established on a voluntary basis. During the year ended 31 March 2019, the Group has not identified any non-compliance cases involving child labour and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY CHAIN MANAGEMENT

Sustainable Procurement

To ensure the Group's service quality, the Group's policy in relation to the subcontractors and suppliers is to select only those subcontractors and suppliers on an approved list who has passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group aims to maintain the partnership with suppliers and works together in order to promote sustainable development of the industry. The Group performs the evaluation of a supplier in an annual basis to make sure the performance of the subcontractors and suppliers are up to the standard. The assessment mainly includes but not limited to the professional qualification, services/products quality, financial status, operation in good integrity, social responsibility, etc. When the evaluation result of the suppliers or subcontractors are not satisfactory, the respective suppliers or subcontractors may be removed from the approval list.

PRODUCTS RESPONSIBILITY

The Group recognises the importance of the quality of the services provided by the Group. The Group has established relevant policies which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations.

The Group communicates and confirms the work plan with customer before the commencement of the project and actively monitors and processes and coordinates with the customer. For the year ended 31 March 2019, the Group has not had any material complaints or request to terminate projects due to poor quality and safety. If a complaint should arise, the Group will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

The Group also recognises the importance of the intellectual property right. The management and relevant department review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with relevant law and regulation of data privacy. All confidential data of customers can only be assessed by the staffs who are responsible for the projects for relevant clients.

For the year ended 31 March 2019, the Group has not identified any non-compliance cases relating to product responsibility.

ANTI-CORRUPTION

The Group believes that the integrity of business is the foundation of corporate social responsibility, as well as a fundamental element for a business's competitive advantage and sustainability. The Group is committed to the highest possible standards of openness, probity and accountability.

The Group adopts a policy of zero tolerance towards corruption. All employees must fully comply with relevant local laws and regulations as well as the Group's own policies on prevention of corruption. All employees have a responsibility to report any suspected violations to a supervisor or senior management.

During the year ended 31 March 2019, the Group has had no non-compliance cases regarding violations of relevant laws and regulations on anti-corruption.

COMMUNITY INVESTMENT

Caring for the Society

Corporate social responsibility via staff volunteerism, philanthropy and community service is the core values of the Group. The Group actively participated in charitable donations, caring for people in need, as well as supporting and sponsoring educational and environmental protection activities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Ka Ho, Raymond (梁家浩), aged 51, was appointed as the Director on 18 October 2016 and was redesignated as an executive Director and appointed as the chairman and chief executive officer of the Company on 15 December 2016. Mr. Leung is a director of each of Fulam Construction Engineering Company Limited ("Fulam Construction") and Fulam Engineering Hong Kong Company Limited ("Fulam Engineering"), indirect wholly owned subsidiaries of the Company, and the compliance officer of the Company. Mr. Leung is responsible for the overall business strategy, preparing annual budget proposals, and major business decisions of the Group.

Mr. Leung has over 30 years of experience in the construction industry and possesses extensive knowledge in planning and managing construction projects of various nature. He obtained his higher diploma in building from City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) and a bachelor's degree of science in building from the South Bank University in the United Kingdom. He also obtained his master's degree of science in architecture from the University College London in the United Kingdom. He had served in Government body that he was appointed by the Building Authority as a member of Minor Works Contractors Registration Committee Panel.

Mr. Leung is a member of Australian Institute of Building, a member of the Chartered Institute of Building, a member of the Hong Kong Institute of Construction Managers (previously known as Hong Kong Institute of Builders), and a member of the Contractor's Authorised Signatory Association Limited.

He was not a director in any listed companies for the last three preceding years.

Mr. Ho Chi Kwan (何智崑), aged 46, was appointed as the Director on 18 October 2016 and was redesignated as an executive Director of the Company on 15 December 2016. Mr. Ho is responsible for the overall business strategy, preparing annual budget proposals, and major business decisions of the Group.

Mr. Ho has over 24 years of experience in the construction industry. He has then been a director of each of Fulam Construction and Fulam Engineering since the dates of their incorporation. He is currently an associate member of Hong Kong Institute of Project Management.

Mr. Ho completed a certificate course in building services, design, installation and maintenance organised by Hong Kong Productivity Council. He also completed a number of courses organised by the Construction Industry Training Authority.

He was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Hung Kwong, Derrick (梁雄光), aged 50, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Remuneration Committee and the Safety Compliance Committee, and a member of each of the Audit Committee and Nomination Committee.

Mr. Leung has over 26 years of experience in the engineering and construction industry. In August 2008, he joined Yee Hop Engineering Company Limited which is the subsidiary of Yee Hop Holdings Limited, a company listed on the Main Board (Stock Code: 1662). He has been the executive director of Yee Hop Holdings Limited since February 2015.

Mr. Leung obtained his bachelor's degree of science in engineering from the National Taiwan University in Taiwan and obtained his master's degree of philosophy in civil & structural engineering from the Hong Kong University of Science & Technology. He is currently a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers in the disciplines in civil, geotechnical and structural. He is also a registered professional engineer (geotechnical, structural) of engineers registration board.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. Moy Yee Wo, Matthew (梅以和), aged 40, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Nomination Committee, and a member of each of the Audit Committee and Remuneration Committee.

Mr. Moy has over 10 years of experience in various sections of the financial industry including audit, corporate finance and asset management. From August 2012 to January 2019, he was the chief financial officer of China Silver Group Limited, a company listed on the Main Board (Stock Code: 0815). Since February 2019, he has been the chief financial officer of WE Solutions Limited, a company listed on the Main Board (Stock Code: 0860). Mr. Moy also serves as an independent non-executive Director of Reach New Holdings Limited (Stock code: 8471) since June 2017.

Mr. Moy obtained his bachelor of business administration in accounting and he further obtained his master of business administration at the Hong Kong University of Science & Technology. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. Yau Sze Yeung (邱思揚), aged 41, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Audit Committee, and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Yau has over 17 years of experience in various sections of the financial industry including audit and corporate finance. He joined Janco Holdings Limited in July 2015 as the financial controller, a company listed on the GEM (Stock Code: 8035) and he is currently the executive Director, financial controller and company secretary of Janco Holdings Limited.

Mr. Yau obtained a bachelor's degree of business administration in accountancy from City University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 17.50(2) of the GEM Listing Rules as at the date of this annual report.

SENIOR MANAGEMENT

Mr. Cheng Kwok Kuen (鄭國權), aged 45, has been the project manager of the Group since February 2012. He is primarily responsible for overall project management. He has over 15 years of experience in the construction industry. He joined Fulam Construction in March 2006 and was promoted to the current position of project manager in February 2012. He obtained a higher diploma in building services engineering.

He was not a director in any listed companies for the last three preceding years.

Ms. Mak Pui Chun (麥珮珍), aged 43, has been the project manager of the Group since August 2011. She is primarily responsible for overall project management. She has over 15 years of experience in the construction industry. She obtained a higher certificate in building studies from Hong Kong Technical Colleges. She then obtained a bachelor's degree of science in building surveying from the University of Greenwich in the United Kingdom.

She was not a director in any listed companies for the last three preceding years.

Mr. Chung Kiu Pan (鍾喬濱), aged 34, joined the Group in October 2016 and is financial controller and company secretary of the Group. He is primarily responsible for financial reporting, financial planning, internal control and corporate secretarial practices and procedures of the Group.

Mr. Chung graduated with a bachelor of business administration majoring in professional accountancy in the Chinese University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants, and a certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants.

He was not a director in any listed companies for the last three preceding years.

REPORT OF DIRECTORS

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

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 18 October 2016.

In preparing for the listing of the Company's shares on the GEM Board of the Stock Exchange, the Company became the holding company of the companies comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") upon the completion of the Reorganisation on 11 November 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Detailed business review is set out in the section of "Management Discussion and Analysis" ("**MD&A**") in this annual report from pages 4 to 8. Future development of the company's business is set out in the section of "Chairman's Statement" and MD&A in this annual report from page 3 and pages from 4 to 8 respectively. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Key risks and uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

The Group's key business risk exposures are summarised as follows:

- (i) The Group has relatively thin net profit margin and the financial results are highly sensitive to any unfavourable change in the cost of sales, contract prices and the market conditions in the RMAA and fitting-out industry in Hong Kong;
- (ii) The Group may not be able to maintain or increase the success rate of the projects tendered;
- (iii) The Group derives the revenue from projects of a non-recurrent nature, where there is no guarantee that the customers will provide us with new business or that the Group will secure new contracts;
- (iv) Reliance on subcontractors;
- (v) Any significant increase in the subcontracting charges and substandard subcontractor works may have adverse impacts on the financial results;
- (vi) The Group determines the contract price based on the estimated time and costs involved in the project. The actual time and costs may deviate from the estimations. An inaccurate estimation or ineffective cost management may adversely affect the Group's financial results;
- (vii) The surety bonds may be forfeited in the event of the non-performance of contracts and the amount of such surety bonds may increase, in either case, the cash flows and financial position could be adversely affected;

REPORT OF DIRECTORS

- (viii) The business is labour intensive. If the Group or the Group's subcontractors experience any shortage of labour, industrial actions or strikes, the operations and financial results would be adversely affected; and
- (ix) Time required to award and complete renovation work may be lengthened in the future.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

Environment Protection

The Group committed to contributing to the sustainability of the environment from its business activities. The Group established measures and created certain environmental framework to minimise and monitor the environmental impacts attributable to its operational. The Group implemented the green office practices such as re-deployment of office furniture as far as possible, encouraged use of recycled paper for printing and copying and reduced energy consumption by switching off idling lightings and electrical appliances. Moreover, the Group also established air pollution, noise and waste disposal control such as watering when necessary for any dusty materials before loading and unloading on site; works that create loud noise are to be carried out during day-time or non noise sensitive hours only; labelled bins to be provided to allow segregation of recyclable materials from other waste for transportation to landfills or public fill whenever possible.

Workplace quality

The Group believes that employees are the valuable assets and regards human resources as its corporate wealth. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct, employees' rights and benefits.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this annual report.

The Board do not recommend the payment of a final dividend for the year ended 31 March 2019.

DIVIDEND POLICY

The Company has adopted a policy on payment of dividends in compliance with code provision E.1.5 of the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. The Directors consider sustainable returns to shareholders to be one of the main objectives. The recommendation for dividends is subject to the discretion of the Board. The Board takes into account the following factors when considering the declaration and payment of dividends:

- the Company's cash position and available distributable reserves;
- the Group's general business condition;
- the Group's financial results;

REPORT OF DIRECTORS

- the Group's capital requirements;
- the interests of the shareholders;
- applicable laws and regulations and the Articles; and
- any other factors that the Board may consider relevant.

Any final dividend for a fiscal year will be subject to approval by the shareholders. Dividend may be paid up in the form of cash or scrip or by distribution in any form. Any dividend unclaimed will be forfeited and will revert to the Company in accordance with the Articles.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday, 9 August 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 5 August 2019 to Friday, 9 August 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong* not later than 4:30 p.m. on Friday, 2 August 2019.

* Tricor Investor Services Limited will relocate to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on 11 July 2019.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 102 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees who have made valuable contribution to the Group. The Scheme of the Company was adopted on 22 February 2017 (the "**Adoption**"). There was no share option granted or agreed to be granted under the Scheme for the year ended 31 March 2019.

REPORT OF DIRECTORS

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose

The Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) The Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(c) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 800,000,000 shares, unless the Company obtains a fresh approval.

(d) Maximum number of options to any one individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant.

REPORT OF DIRECTORS

(e) Price of Shares

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

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

(f) Time of exercise of Option and duration of the Share Option Scheme

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2019.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2019, the Company's reserves available for distribution to the shareholders, comprising share premium and retained profits, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$32.5 million (2018: approximately HK\$33.2 million).

REPORT OF DIRECTORS

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2019, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer	15.8%
— The total of the five largest customers	56.8%

For the year ended 31 March 2019, the percentage of cost of sales attributable to the Group's major suppliers is set out below:

Cost of sales

— The largest supplier	34.9%
— The total of the five largest suppliers	54.8%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

DIRECTORS

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

Executive Directors

Mr. Leung Ka Ho, Raymond
Mr. Ho Chi Kwan

Independent non-executive Directors

Mr. Leung Hung Kwong, Derrick
Mr. Moy Yee Wo, Matthew
Mr. Yau Sze Yeung

Pursuant to Article 112 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108(a) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 27 to 28 of this annual report.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the month of Listing or the date of appointment and will continue thereafter until terminated in accordance with the terms of the agreement. Independent non-executive Directors are appointed for a term of three year initially and will continue thereafter unless terminated by either party giving at least six month's notice in writing.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 13 and 14 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

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

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2019.

REPORT OF DIRECTORS

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2019, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (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) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's Shares

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond (Notes 1 & 2)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary shares	66.6%
Mr. Ho Chi Kwan (Notes 1 & 3)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary shares	66.6%

Notes:

1. On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed "History, reorganisation and corporate structure — Parties acting in concert" in the Prospectus.
2. 533,000,000 Shares in which Mr. Leung is interested consist of (i) 363,410,000 Shares held by Sharp Talent, a company wholly owned by Mr. Leung, in which Mr. Leung is deemed to be interested under the SFO; and (ii) 169,590,000 Shares in which Mr. Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho.
3. 533,000,000 Shares in which Mr. Ho is interested consist of (i) 169,590,000 Shares held by Diamondfield, a company wholly owned by Mr. Ho, in which Mr. Ho is deemed to be interested under the SFO; and (ii) 363,410,000 Shares in which Mr. Ho is deemed to be interested as a result of being a party acting-in-concert with Mr. Leung.

REPORT OF DIRECTORS

(ii) *Long position in the ordinary shares of associated corporations*

Name of Directors	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond	Sharp Talent	Beneficial owner	1 ordinary share	100%
Mr. Ho Chi Kwan	Diamondfield	Beneficial owner	1 ordinary share	100%

Save as disclosed above, as at 31 March 2019, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2019, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding
Sharp Talent (Note)	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%
Diamondfield (Note)	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%

Note:

On 11 November 2016, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed "History, reorganisation and corporate structure — Parties acting in concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Sharp Talent (being wholly owned by Mr. Leung), Mr. Leung, Diamondfield (being wholly owned by Mr. Ho) and Mr. Ho is deemed to be interested in 66.6% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2019 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF DIRECTORS

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited, as at 31 March 2019, save for the (i) compliance adviser agreement dated 15 November 2016; and (ii) the professional service agreement dated on 26 June 2018 entered into between the Company and Alliance Capital Partners Limited, neither Alliance Capital Partners Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2019, the Group has not entered into any connected transaction that are not exempt under Rule 20.31 of the GEM Listing Rules nor any continuing connected transaction that are not exempt under Rule 20.33 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the GEM Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu was appointed by the Directors as the auditor of the Company. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 March 2019 have been audited by Deloitte Touche Tohmatsu.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

By Order of the Board

Leung Ka Ho, Raymond

Chairman

Hong Kong, 18 June 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF CHI HO DEVELOPMENT HOLDINGS LIMITED

潛濤發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chi Ho Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 101, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Recognition of contract revenue arising from building renovation and construction services

We identified the recognition of contract revenue arising from building renovation and construction services as a key audit matter because significant management's estimations are required in the determination of the progress and outcome of the contracts, including the estimated contract revenue, as disclosed in note 4 to the consolidated financial statements.

As disclosed in the consolidated statement of profit or loss and other comprehensive income, the contract revenue arising from building renovation and construction services amounted to HK\$277,568,000 for the year ended 31 March 2019.

As set out in note 3 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress toward complete satisfaction of a performance obligation at the end of the reporting period, which is measured based on the surveys of work performed to date relative to the estimated total contract revenue.

The actual outcome of the contracts in terms of its total revenue may be higher or lower than the estimates and this will affect the recognition of revenue.

Our procedures in relation to the recognition of contract revenue arising from building renovation and construction services included:

Evaluating the estimation of revenue recognised on renovation and construction projects, on a sample basis, by:

- Testing the Group's internal controls over the recognition of contract revenue;
- Discussing with management and project managers and checking to the contracts, variation orders, relevant correspondences and other supporting documents to evaluate the reasonableness of their basis of estimation of the total contract revenue;
- Evaluating management's assessment on the Group's ability to complete contracts within budgeted timescales and any penalty for late completion of contract works by comparing the progress of the contracts against the terms stipulated in the contracts; and
- Assessing the appropriateness of value of work recognised as contract revenue by checking, on a sample basis, to the certificates issued by the surveyors before and subsequent to the year end date.

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 in accordance with 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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 Chan Tsz Wai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	6	277,568	445,467
Cost of sales		(238,051)	(401,537)
Gross profit		39,517	43,930
Bank interest income		66	89
Impairment losses, net of reversal	7	-	(1,296)
Other expenses	8	(3,117)	-
Administrative expenses		(12,676)	(13,116)
Finance costs	9	(1,736)	(1,762)
Profit before taxation		22,054	27,845
Income tax expense	10	(3,898)	(4,706)
Profit and total comprehensive income for the year		18,156	23,139
Earnings per share			
— Basic (HK cents)	15	2.27	2.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	16	8,395	9,276
Deferred tax assets	25	2,600	–
		10,995	9,276
Current assets			
Trade and other receivables	17	40,757	104,650
Amounts due from customers for contract work	18	–	40,618
Contract assets	19	107,416	–
Tax recoverable		431	78
Pledged bank deposits	21	13,500	13,500
Bank balances and cash	21	29,411	34,407
		191,515	193,253
Current liabilities			
Trade and other payables	22	64,577	71,092
Bank borrowings	23	44,600	42,780
Obligations under a finance lease	24	265	253
		109,442	114,125
Net current assets		82,073	79,128
Total assets less current liabilities		93,068	88,404
Non-current liabilities			
Obligations under a finance lease	24	468	733
Deferred tax liabilities	25	55	128
		523	861
Capital and reserves			
Share capital	26	8,000	8,000
Reserves		84,545	79,543
Total equity		92,545	87,543
		93,068	88,404

The consolidated financial statements on pages 44 to 101 were approved and authorised for issue by the board of directors on 18 June 2019 and are signed on its behalf by:

Leung Ka Ho, Raymond
Chairman

Ho Chi Kwan
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017	8,000	41,777	2,200	12,427	64,404
Profit and total comprehensive income for the year	–	–	–	23,139	23,139
At 31 March 2018 (as originally stated)	8,000	41,777	2,200	35,566	87,543
Adjustments (note 2)	–	–	–	(13,154)	(13,154)
At 1 April 2018 (as restated)	8,000	41,777	2,200	22,412	74,389
Profit and total comprehensive income for the year	–	–	–	18,156	18,156
At 31 March 2019	8,000	41,777	2,200	40,568	92,545

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	22,054	27,845
Adjustments for:		
Allowance for impairment recognised in respect of other receivables	44	–
Bank interest income	(66)	(89)
Depreciation of property, plant and equipment	1,014	1,032
Finance costs	1,736	1,762
Written off of unbilled retention receivables	–	1,296
Net allowance for impairment recognised in respect of contract assets	11	–
Net reversal of allowance for impairment recognised in respect of trade receivables	(55)	–
Operating cash flows before movements in working capital	24,738	31,846
Decrease (increase) in trade and other receivables	11,143	(4,538)
Increase in amounts due from customers for contract work	–	(11,717)
Increase in contract assets	(29,802)	–
Decrease in trade and other payables	(6,515)	(14,454)
Cash (used in) generated from operations	(436)	1,137
Hong Kong Profits Tax paid	(4,324)	(6,969)
NET CASH USED IN OPERATING ACTIVITIES	(4,760)	(5,832)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(10,000)	(3,500)
Purchase of property, plant and equipment	(133)	(124)
Interest received	66	89
Release of pledged bank deposits	10,000	–
NET CASH USED IN INVESTING ACTIVITIES	(67)	(3,535)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(243,631)	(435,085)
Interest paid	(1,736)	(1,762)
Repayment of obligations under a finance lease	(253)	(98)
New bank borrowings raised	245,451	445,389
Transaction costs paid directly attributable to issue of ordinary shares	–	(7,359)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(169)	1,085
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,996)	(8,282)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	34,407	42,689
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	29,411	34,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

Chi Ho Development Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 March 2017 (the “Listing”). The ultimate and immediate holding companies are two companies namely, Sharp Talent Holdings Limited and Diamondfield Holdings Limited, which are owned by Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan who are the directors of the Company and parties acting in concert, respectively. The addresses of the registered office and principal place of business of the Company are at PO box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit B1, 8/F, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is the same as the functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 “Revenue from Contracts with Customers”

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

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

The Group recognises revenue from the building renovation and construction services with customers.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained profits at 1 April 2018.

	HK’000
Retained profits	
Recognition of contract costs	14,368
Tax effect	(2,371)
Impact at 1 April 2018	11,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 “Revenue from Contracts with Customers” (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000 (note a)	Carrying amount under HKFRS 15 at 1 April 2018 HK\$'000 (note b)
Non-current asset			
Deferred tax assets	–	2,371	2,371
Current assets			
Trade and other receivables	104,650	(52,124)	52,526
Amounts due from customers for contract work	40,618	(40,618)	–
Contract assets	–	78,374	78,374
Capital and reserves			
Reserves	79,543	(11,997)	67,546

Notes:

- (a) In relation to building renovation and construction services previously accounted for under HKAS 11, the Group continues to estimate the performance obligations by reference to the stage of completion of the contract activity at the end of the reporting period up to date of initial application of HKFRS 15. Amounts due from customers for contract works in relation to the certified value of works performed and unbilled retention receivables included in trade and other receivables of HK\$40,618,000 and HK\$52,124,000 respectively, were either reclassified to contract assets or charged to retained profits. The corresponding of deferred tax assets of HK\$2,371,000 for the timing differences on cost recognition was recognised and charged to retained profits.
- (b) These amounts are presented before the adjustments of HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 “Revenue from Contracts with Customers” (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarises the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2019 and consolidated statement of cash flow for the year ended 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$’000	HK\$’000	HK\$’000
Non-current asset			
Deferred tax assets	2,600	(2,371)	229
Current assets			
Trade and other receivables (note b)	40,757	46,822	87,579
Amounts due from customers for contract work (notes a and c)	–	60,594	60,594
Contract assets (notes a, b and c)	107,416	(107,416)	–
Capital and reserves			
Reserves (note c)	84,545	(2,371)	82,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 “Revenue from Contracts with Customers” (Continued)

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Increase in amounts due from customers for contract work	–	(35,730)	(35,730)
Increase in contract assets	(29,802)	29,802	–
Decrease in trade and other receivables	11,143	5,928	17,071

Notes:

- (a) Unbilled revenue of HK\$60,594,000 arising from the building renovation and construction services are conditional on the satisfaction by the customers on the building renovation and construction services completed by the Group and the work was pending for the certification by the surveyors, and such balance was reclassified from amount due from customers from contract work to contract assets upon application of HKFRS 15.
- (b) Retention receivables of HK\$46,822,000 arising from the building renovation and construction services are conditional on the customer acceptance over a defected liability period, and such balance was reclassified from trade and other receivables to contract assets upon application of HKFRS 15.
- (c) Under HKAS 11, the Group adjusted contract costs by reference to the progress towards complete satisfaction of a performance obligation. Upon application of HKFRS 15, the contract costs are recognised as expense in the period in which they are incurred.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 “Financial Instruments” and the related amendments

During the year ended 31 March 2019, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and contract assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference, if any, between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

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

	Amortised cost (previously classified as loans and receivables) HK\$'000	Amounts due from customers for contract work HK\$'000	Contract assets HK\$'000	Deferred tax assets HK\$'000	Retained profits HK\$'000
Closing balance as 31 March 2018 – HKAS 39	152,168	40,618	–	–	35,566
Effect arising from initial application of HKFRS 15	(52,124)	(40,618)	78,374	2,371	(11,997)
Effect arising from initial application of HKFRS 9:					
Remeasurement					
– Impairment under ECL	(626)	–	(760)	229	(1,157)
Opening balance at 1 April 2018	99,418	–	77,614	2,600	22,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 “Financial Instruments” and the related amendments (Continued)

Impairment under ECL

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets are grouped based on internal credit rating. The contract assets which mainly relate to unbilled work in progress and retention receivables have substantially the same risk characteristics as the trade receivables for the same customer. The Group has therefore considered the expected loss rates for the trade receivables are reasonable approximation of loss rates for the corresponding contract assets.

ECL for other financial assets at amortised cost, which mainly comprise of other receivables, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The ECL for pledged bank deposits and bank balances is insignificant because such assets are placed with banks with good reputation and high credit ratings assigned by international credit-rating agencies. Therefore, the exposure of default is low.

As at 1 April 2018, additional credit loss allowance is charged against contract assets and trade and other receivables of HK\$1,386,000 in total and the respective deferred tax assets of HK\$229,000 have been recognised and both impacts have been recognised against retained profits of HK\$1,157,000.

All loss allowances for contract assets and trade receivables at amortised cost as at 31 March 2018 reconcile to opening loss allowance as at 1 April 2018 are as follows:

	Contract assets	Trade and other receivables
	HK\$'000	HK\$'000
At 31 March 2018 — HKAS 39	—	—
Amounts remeasured through opening retained profits	760	626
At 1 April 2018 — HKFRS 9	760	626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018	HKFRS 15	HKFRS 9	1 April 2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(As reported)			(Restated)
Non-current assets				
Deferred tax assets	–	2,371	229	2,600
Current assets				
Trade and other receivables	104,650	(52,124)	(626)	51,900
Amounts due from customers for contract work	40,618	(40,618)	–	–
Contract assets	–	78,374	(760)	77,614
Capital and reserves				
Reserves	79,543	(11,997)	(1,157)	66,389

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 “Leases”

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

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group had non-cancellable operating lease commitments of HK\$71,000 as disclosed in note 30 to the consolidation financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 “Leases” (Continued)

In addition, the Group currently considers refundable rental deposits paid of HK\$29,000 to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Except as described above, the directors of the Company anticipate that the application of the new and amendments to HKFRSs and interpretation will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a 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 HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest or best use or by selling it to another market participant that would use the asset in its highest or best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the 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 is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet conditional. It is assessed for impairment in accordance with HKAS 39 or HKFRS 9, as appropriate. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

Building renovation and construction services

Recognition

The Group provides building renovation and construction services under contract with customers. Such contracts are entered into before the building renovation and construction services begin. Under the terms of the contracts, the Group’s performance creates and enhances an asset that the customers controls which referred as designated areas where the building renovation and construction services performed. Revenue from building renovation and construction services is therefore recognised over time, using the output method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (i.e. variation orders), 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 each 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 changes in circumstances during the reporting period.

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from contracts is described in the accounting policy for "building renovation and construction services" below.

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

Building renovation and construction services

Where the outcome of a building renovation and construction services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the certified value of works performed during the period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. For contract works where the value of works are not independently certified, the stage of completion are measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 April 2018) (Continued)

Building renovation and construction services (Continued)

When the outcome of a building renovation and construction services cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leases

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

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

Short-term and other long-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 and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value of equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, for share options with non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including leasehold land and building (classified as finance leases) held for use for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present 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).

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

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 marketplace.

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 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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.

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 (see below). 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 (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a credit loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposits and 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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing components. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

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

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

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

(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 also 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(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, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are each assessed on a separate group. Pledged bank deposits and bank balances are assessed for ECL on an individual basis);
- Nature and industry of debtors; and
- External credit ratings where available.

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

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 and other receivables and contract assets where the corresponding adjustment is recognised through a credit loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group 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.

Financial liabilities at amortised cost

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

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 the Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Recognition of contract revenue arising from building renovation and construction services

The Group recognises contract revenue arising from building renovation and construction services by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period, which is measured based on the surveys of work performed to date relative to the estimated total contract revenue. Notwithstanding that the management of the Group frequently reviews and revises the estimates of total contract revenue as the contracts progresses, the actual outcome of the contracts in terms of its total revenue may be higher or lower than the estimates this will affect the recognition of revenue.

Estimated impairment of trade receivables and contract assets

Since the adoption of HKFRS 9 on 1 April 2018, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar credit risk characteristics based on nature and industry of debtors. Internal credit rating has been given to each category of debtors after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables. Estimated loss rates are based on probability of default and loss given default with reference to internal credit rating and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. The credit loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 1 April 2018 and 31 March 2019, the carrying amounts of trade receivables were HK\$33,465,000 (net of allowance of HK\$151,000) and HK\$17,494,000 (net of allowance of HK\$96,000) respectively, while the carrying amount of contract assets were HK\$77,614,000 (net of allowance of HK\$760,000) and HK\$107,416,000 (net of allowance of HK\$771,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets is disclosed in note 29(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of building renovation and construction services to external customers. For the purposes of resources allocation and performance assessment, the chief operating decision maker, being the executive directors of the Company, reviews the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies as set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

Information about major customers

Customers individually contributing over 10% of the Group's revenue during the years are as follows:

	2019 HK\$'000	2018 HK\$'000
Customer A	43,853	236,441
Customer B	N/A [#]	54,763
Customer C	36,559	51,905
Customer D	33,353	N/A [#]

[#] Revenue from this customer is individually less than 10% of the total revenue of the Group for the respective year.

6. REVENUE

Revenue represents the fair value of amounts received and receivable by the Group in respect of provision of building renovation and construction services to external customers.

(i) Performance obligations for contracts with customers

The Group provides building renovation and construction services to external customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the certified value of works performed during the period by using the output method.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones or progress of the projects. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer to trade receivables when the works performed during the period has been certified by the surveyors and issued the invoices to bill the customers.

Unbilled retention receivables, prior to expiration of defect liability period, are classified as contract assets, which range from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. REVENUE (Continued)

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 March 2019 and the expected timings of recognising revenue are as follows:

	HK\$'000
Provision for building renovation and construction services to external customers	
– within one year	229,676
– within one to two years	39,864
	<u>269,540</u>

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2019 HK\$'000	2018 HK\$'000
Allowance for impairment recognised in respect of other receivables	44	–
Net reversal of allowance for impairment recognised in respect of trade receivables	(55)	–
Net allowance for impairment recognised in respect of contract assets	11	–
Written off of unbilled retention receivables	–	1,296
	<u>–</u>	<u>1,296</u>

8. OTHER EXPENSES

	2019 HK\$'000	2018 HK\$'000
Professional fees incurred for transfer of listing board	3,117	–

9. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interests on:		
Factoring loans	485	943
Bank borrowings	1,214	779
Obligations under a finance lease	37	40
	<u>1,736</u>	<u>1,762</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax		
— Current year	3,935	4,474
— Underprovision in prior years	36	104
	3,971	4,578
Deferred taxation (note 25)	(73)	128
	3,898	4,706

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

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	22,054	27,845
Tax at Hong Kong Profits Tax rate of 16.5%	3,639	4,594
Tax effect of income not taxable for tax purpose	(11)	(15)
Tax effect of expenses not deductible for tax purpose	419	43
Underprovision in prior years	36	104
Income tax at concessionary rate	(165)	—
Tax benefits	(20)	(20)
Income tax expense for the year	3,898	4,706

Details of deferred taxation are set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

11. PROFIT BEFORE TAXATION

	2019 HK\$'000	2018 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 13)	4,428	4,368
Other staff costs:		
Salaries and other allowances	15,360	14,852
Retirement benefits scheme contributions	542	475
	15,902	15,327
Total staff costs	20,330	19,695
Auditor's remuneration	1,050	1,000
Depreciation of property, plant and equipment	1,014	1,032
Minimum lease payments paid under operating leases in respect of:		
— office premise	96	100
— car parking spaces	146	140

12. DIVIDENDS

No dividend was paid nor proposed by the Company during the years ended 31 March 2018 and 31 March 2019 nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

13. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the five (2018: five) directors were as follows:

	Director's fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2019				
Executive directors:				
Mr. Leung Ka Ho, Raymond	–	1,980	18	1,998
Mr. Ho Chi Kwan	–	1,980	18	1,998
Independent non-executive directors:				
Mr. Leung Hung Kwong, Derrick	144	–	–	144
Mr. Moy Yee Wo, Matthew	144	–	–	144
Mr. Yau Sze Yeung	144	–	–	144
	432	3,960	36	4,428
Year ended 31 March 2018				
Executive directors:				
Mr. Leung Ka Ho, Raymond	–	1,950	18	1,968
Mr. Ho Chi Kwan	–	1,950	18	1,968
Independent non-executive directors:				
Mr. Leung Hung Kwong, Derrick	144	–	–	144
Mr. Moy Yee Wo, Matthew	144	–	–	144
Mr. Yau Sze Yeung	144	–	–	144
	432	3,900	36	4,368

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

The independent non-executive directors' emoluments shown above are for their services as directors of the Company.

During both years, directors' fees were paid by the Company, while salaries and other allowances of directors were paid by Fulam Construction Engineering Company Limited.

None of the directors waived or agreed to waive any emolument during the years ended 31 March 2019 and 2018.

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the year ended 31 March 2019 included two (2018: two) directors, details of whose emoluments are set out in note 13 above. Details of the emoluments of the remaining three (2018: three) individuals during the years ended 31 March 2019 and 2018 were as follows:

	2019	2018
	HK\$'000	HK\$'000
Salaries and other allowances	1,690	1,898
Retirement benefits scheme contributions	54	54
	1,744	1,952

The emoluments were within the following bands:

	2019	2018
	No. of	No. of
	individuals	individuals
Not exceeding HK\$1,000,000	3	3

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 March 2019 is based on the profit for the year of HK\$18,156,000 (2018: HK\$23,139,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2019 of 800,000,000 (2018: 800,000,000). No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 April 2017	8,356	266	276	2,931	11,829
Additions	–	–	124	1,334	1,458
At 31 March 2018	8,356	266	400	4,265	13,287
Additions	–	–	133	–	133
Disposals	–	–	–	(974)	(974)
At 31 March 2019	8,356	266	533	3,291	12,446
DEPRECIATION					
At 1 April 2017	662	80	87	2,150	2,979
Provided for the year	418	53	66	495	1,032
At 31 March 2018	1,080	133	153	2,645	4,011
Provided for the year	418	53	91	452	1,014
Eliminated on disposals	–	–	–	(974)	(974)
At 31 March 2019	1,498	186	244	2,123	4,051
CARRYING VALUES					
At 31 March 2019	6,858	80	289	1,168	8,395
At 31 March 2018	7,276	133	247	1,620	9,276

The above items of property, plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and building	5%
Leasehold improvements	Shorter of lease term or 20%
Furniture and equipment	20%
Motor vehicles	20%

The Group has pledged its leasehold land and building with an aggregate carrying value of HK\$6,858,000 (2018: HK\$7,276,000) to secure a banking facility.

As at 31 March 2019, the carrying value of a motor vehicle held under a finance lease was HK\$761,000 (2018: HK\$1,028,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. TRADE AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	12,163	13,872
Trade receivables factored with recourse	5,427	19,744
Less: Allowance for credit loss	(96)	–
	17,494	33,616
Unbilled retention receivables (note ii)	–	52,124
Other receivables (note iii)	8,198	4,884
Deposits for surety bonds (note iv)	12,813	13,064
Project deposits placed with customers	118	88
Prepaid professional fee for transfer of listing board	1,068	–
Rental, utility and other deposits	1,066	874
Total trade and other receivables	40,757	104,650

Notes:

- (i) As at 1 April 2018, the carrying amounts of trade receivables was HK\$33,465,000 (net of allowance of HK\$151,000).
- (ii) Unbilled retention receivables will be billed to customers at the end of the defect liability period of individual contracts, that is one to two years from the date of the practical completion of the respective project, subject to extension due to actual circumstance of the project. Unbilled retention receivables have been reclassified as contract assets upon the application of HKFRS 15 on 1 April 2018.

The unbilled retention receivables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period:

	2018 HK\$'000
Due within one year	11,634
Due after one year	40,490
	52,124

Movement in the allowance for doubtful debts

	2018 HK\$'000
Balance at beginning of the year	–
Impairment loss recognised on unbilled retention receivables	1,296
Amounts written off as uncollectible	(1,296)
Balance at end of the year	–

- (iii) The carry amount of other receivables of HK\$8,198,000 (net of allowance of HK\$519,000) included a receivable from a subcontractor of HK\$1,750,000 in respect of compensation provided. Details are disclosed in note 22.
- (iv) The amount represents the deposits as collateral security for surety bonds in respect of construction contracts issued by insurance companies in favour of the Group's customers. The deposits will be refunded to the Group upon the practical completion or at the end of the defect liability period of the relevant construction contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group allows a credit period of 7 to 45 days to its customers for its trade receivables.

The following is an ageing analysis of trade receivables presented based on invoice dates at the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
0-30 days	9,940	32,474
31-60 days	43	198
61-90 days	6,484	87
Over 90 days	1,027	857
	17,494	33,616

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$7,554,000, which are past due as at the reporting date. Out of the past due balances, HK\$1,027,000 has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality after considering that those customers have good settlement records and continuous business relationship with the Group, and so the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Included in the Group's trade receivables balances as at 31 March 2018 are debtors with aggregate carrying amounts of HK\$1,244,000, which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the management of the Group is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2018 HK\$'000
0-30 days	387
Over 90 days	857
	1,244

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the customers from the date that credit was initially granted up to the end of each reporting period.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 29(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2018 HK\$'000
<hr/>	
Contracts in progress at the end of the reporting period:	
Contract costs incurred to date	763,491
Add: recognised profits less recognised losses	139,687
	<hr/>
	903,178
Less: progress billings	(862,560)
	<hr/>
	40,618
<hr/>	
Analysed as:	
Amounts due from customers for contract work	40,618
Amounts due to customers for contract work	–
	<hr/>
	40,618
<hr/>	

As at 31 March 2018, unbilled retention receivables held by customers for contract work were classified as trade and other receivables and the details are set out in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

19. CONTRACT ASSETS

	At 31 March 2019 HK\$'000	At 1 April 2018* HK\$'000
Analysed as current:		
Unbilled revenue of building renovation and construction services	60,594	26,098
Unbilled retention receivables of building renovation and construction services	46,822	51,516
	107,416	77,614

The unbilled retention receivables are to be settled, based on the completion of defect liability period, at the end of each reporting period as follows:

	At 31 March 2019 HK\$'000	At 1 April 2018* HK\$'000
Due within one year	29,947	11,634
Due after one year	16,875	39,882
	46,822	51,516

* The amounts in this column are after adjustments from the application of HKFRS 9 and HKFRS 15.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional where the Group is entitled to issue invoices to the customers.

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

The Group's construction contracts include payment schedules which require stage payments over the construction services period once certain specified milestones are reached.

The Group also typically agrees to a retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the defect liability period as the Group's entitlement to this final payment is conditional on customer acceptance usually being 1 to 2 years from the date of completion of construction projects.

Details of impairment assessment on contract assets for the year ended 31 March 2019 are set out in note 29(b).

The Group's contract assets of HK\$9,403,000 as at 31 March 2019 have been pledged to the bank for a factoring loan of HK\$7,523,000 on a full recourse basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

20. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade receivables and receivables arising from amounts due from customers for contract work as at 31 March 2019 and 2018 that were transferred to banks by factoring them on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables and receivables arising from amounts due from customers for contract work, it continues to recognise their full carrying amounts and has recognised the cash received on the transfer as secured borrowings (see note 23). Trade receivables is carried at amortised cost in the consolidated statement of financial position.

	2019 HK\$'000	2018 HK\$'000
Carrying amount of trade receivables	5,427	19,744
Carrying amount of receivables arising due from customers for contract work	–	10,194
Carrying amount of associated liabilities	(4,383)	(27,156)
	1,044	2,782

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry interest at fixed rates ranging from 0.01% to 1.20% (2018: 0.01% to 0.7%) per annum. Pledged bank deposits represent deposits pledged to a bank to secure the bank overdrafts, short-term bank loans and other general banking facilities granted to the Group. The pledged bank deposits will be released upon the termination of relevant bank overdrafts, short-term bank loans and other general banking facilities.

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at a prevailing market interest rate of 0.01% (2018: 0.01%) per annum.

22. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	12,841	8,243
Accrued costs of materials and subcontracting charges	11,135	5,663
Deposits received (note i)	980	11,408
Other accruals	3,439	3,777
Provision for compensation (note ii)	729	–
Retention payables to subcontractors (note iii)	35,453	42,001
Total trade and other payables	64,577	71,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

22. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (i) The amounts represent deposits received from subcontractors for the purpose of securing their performance in respect of building renovation and construction services in favour of the Group.
- (ii) On 27 March 2018, the Group was involved in an industrial accident that one worker of the Group's subcontractor was certified dead during the course of work. The Group and the subcontractor realised that they might be jointly liable to the payment of compensation and the related fine. In December 2018, the Group and the subcontractor agreed and the Group paid in advance of HK\$1,021,000 to the deceased family and arranged the insurance claim for reimbursement. The Group has made a further provision for an additional compensation of HK\$589,000 and the maximum potential fine of HK\$140,000 that were estimated by the directors of the Company with reference to indication from the insurance company. The directors of the Company consider that the above payment and provision will be reimbursed by the insurance company or the Group's subcontractor in full.
- (iii) Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one to two years from the completion date of the respective project.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period as follows:

	2019 HK\$'000	2018 HK\$'000
Due within one year	25,309	8,573
Due after one year	10,144	33,428
	35,453	42,001

The credit period on trade payables ranges from 0 to 30 days.

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

	2019 HK\$'000	2018 HK\$'000
0–30 days	3,213	2,512
31–60 days	1,481	3,892
61–90 days	4,187	81
Over 90 days	3,960	1,758
	12,841	8,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

23. BANK BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured bank borrowings:		
Bank loans	32,694	15,624
Factoring loans	11,906	27,156
	44,600	42,780
Carrying amounts repayable (note):		
Within one year	42,358	40,418
More than one year, but not exceeding two years	138	142
More than two years, but not exceeding five years	446	451
More than five years	1,658	1,769
Amount shown under current liabilities	44,600	42,780

Note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Bank loans carry interest at Hong Kong Prime Rate of the relevant bank plus 0.5% per annum or at Hong Kong dollar Best Lending Rate ("HKD BLR") plus 0.5% per annum or at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 1.95% per annum. Factoring loans carry interest at HKD BLR plus 0.5% (2018: HKD BLR plus 0.5%) per annum.

The range of effective interest rates on bank borrowings as at 31 March 2019 (which are also equal to contracted interest rates) is 2.0% to 5.6% (2018: 2.0% to 5.5%) per annum.

As at 31 March 2019 and 2018, the banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Company and pledged bank deposits as disclosed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

24. OBLIGATIONS UNDER A FINANCE LEASE

During the years ended 31 March 2018 and 2019, the Group leased one motor vehicle under a finance lease. The lease term is five years. The underlying interest rate the obligations under a finance lease was fixed at contract date at 1.8% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Obligations under a finance lease payable:				
Within one year	291	291	265	253
In more than one year, but not more than two years	291	291	277	265
In more than two years, but not more than five years	193	484	191	468
	775	1,066	733	986
Less: future finance charges	(42)	(80)	N/A	N/A
Present value of lease obligations	733	986	733	986
Less: Amount due for settlement within twelve months (shown under current liabilities)			(265)	(253)
Amount due for settlement after twelve months (shown under non-current liabilities)			468	733

As at 31 March 2018 and 2019, the Group's obligations under a finance lease was secured by the leased asset and unguaranteed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

25. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

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

	2019	2018
	HK\$'000	HK\$'000
Deferred tax assets	2,600	–
Deferred tax liabilities	(55)	(128)
	2,545	(128)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax and depreciation	Loss allowance for trade and other receivables and contract assets	Timing differences on cost recognition	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	–	–	–	–
Charge to profit or loss	(128)	–	–	(128)
At 31 March 2018 (as originally stated)	(128)	–	–	(128)
Adjustments (note 2)	–	229	2,371	2,600
At 1 April 2018 (as restated)	(128)	229	2,371	2,472
Credit to profit or loss	73	–	–	73
At 31 March 2019	(55)	229	2,371	2,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised		
At 1 April 2017, 31 March 2018 and 2019	800,000,000	8,000
Issued and fully paid		
At 1 April 2017, 31 March 2018 and 2019	800,000,000	8,000

27. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 22 February 2017 for the primary purpose of providing incentives to directors, eligible employees, consultant or adviser of the Group, the directors, employees, consultant or adviser of the Group may, at the discretion of the directors, be granted options to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 5 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion.

No options have been granted since its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders 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 bank borrowings and obligations under a finance lease as disclosed in notes 23 and 24, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, other reserve and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Financial assets at amortised cost	81,964	–
Loans and receivables (including bank balances and cash)	–	152,168
	81,964	152,168
Financial liabilities		
Amortised cost	105,738	110,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and obligations under a finance lease.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. 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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposits and obligations under a finance lease as set out in notes 21 and 24.

The Group is also exposed to cash flow interest rate risk in relation to bank balances as set out in note 21 and bank borrowings (see note 23 for details of these borrowings), which are arranged at floating rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate of the relevant bank, HKD BLR and HIBOR arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would be decreased/increased by HK\$186,000 (2018: HK\$179,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during each of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 March 2019, 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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group is exposed to concentration of credit risk in relation to its trade receivables and contract assets from the Group's five major customers amounted to HK\$27,115,000 (2018: trade receivables and unbilled receivables for the amount HK\$64,996,000) which accounted for 42% (2018: 76%) of the Group's total trade and contract assets. The major customers of the Group are certain reputable corporations. The management of the Group considers that the credit risk is limited in this regard.

The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

Other than disclosed above, the Group does not have any other significant concentration of credit risk.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals, other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade receivables and contract assets collectively based on provision matrix through grouping of various debtors that have similar credit risk characteristics based on nature and industry of debtors. Internal credit rating has been given to each category of debtors after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables. Estimated loss rates are based on probability of default and loss given default with reference to internal credit rating and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. The credit loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

The Group assessed the impairment for its other receivables based on internal credit rating of these debtors which, in the opinion of the directors of the Company, has no significant increase in credit risk since initial recognition. Estimated loss rate is based on probability of default and loss given default with reference to historical data and is adjusted for forward-looking information that is available without undue cost or effort. The loss allowance for other receivables were HK\$475,000 and HK\$519,000 as at 1 April 2018 and 31 March 2019 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (Continued)

Pledged bank deposits/bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance was recognised on pledged bank deposits/bank balances as the ECL is assessed to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and may have some of the amounts settled after due date	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debt frequently repays after due dates	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Written-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	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2019	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised cost					
Trade receivables	17	N/A	Low risk (note 2)	Lifetime ECL — not credit-impaired (provision matrix)	17,163
		N/A	Watch list (note 2)	Lifetime ECL — not credit-impaired (provision matrix)	427
Other receivables	17	N/A	Low risk (note 3)	12-month ECL	7,768
			Doubtful (note 3)	Lifetime ECL — not credit-impaired	949
Pledged bank deposits	21	A+ to AA– (note 1)	N/A	12-month ECL	13,500
Bank balances	21	A+ to AA– (note 1)	N/A	12-month ECL	28,786
Other items					
Contract assets	19	N/A	Low risk (note 2)	Lifetime ECL — not credit-impaired (provision matrix)	99,699
		N/A	Watch list (note 2)	Lifetime ECL — not credit-impaired (provision matrix)	8,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

- The external credit rating were quoted from Standard & Poor's.
- For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL — not credit-impaired.

Gross carrying amount

	Average loss rate	Trade receivables	Contract assets
	%	HK\$'000	HK\$'000
Internal credit rating			
Low risk	0.47	17,163	99,699
Watch list	3.56	427	8,488
		17,590	108,187

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due	Total
	HK\$'000	HK\$'000	HK\$'000
Other receivables	949	7,768	8,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL and 12-month ECL that has been recognised for, trade and other receivables and contract assets.

	Lifetime ECL – not credit impaired			12-month ECL	Total
	Trade	Contract	Other	– credit-	
	receivables	assets	receivables	impaired Other receivables	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2018 – HKAS 39	–	–	–	–	–
Adjustment upon application of HKFRS 9	151	760	–	475	1,386
At 1 April 2018 – as restated	151	760	–	475	1,386
Changes due to financial instruments as 1 April 2018:					
Impairment loss recognised	5	55	–	–	60
Impairment loss reversed	(131)	(280)	–	–	(411)
New financial assets originated or purchased	71	236	44	–	351
	96	771	44	475	1,386

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 management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised banking facilities of HK\$30,100,000 as at 31 March 2019 (2018: HK\$28,725,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2019 HK\$'000
31 March 2019							
Non-derivative financial liabilities							
Trade and other payables	-	61,138	-	-	-	61,138	61,138
Bank borrowings	5.32	44,600	-	-	-	44,600	44,600
Obligations under a finance lease	1.80	25	48	218	484	775	733
		105,763	48	218	484	106,513	106,471
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2018 HK\$'000
31 March 2018							
Non-derivative financial liabilities							
Trade and other payables	-	67,315	-	-	-	67,315	67,315
Bank borrowings	5.17	42,780	-	-	-	42,780	42,780
Obligations under a finance lease	1.80	25	48	218	775	1,066	986
		110,120	48	218	775	111,161	111,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk table (continued)

Bank borrowings with repayment on demand clauses are included in the 'On demand or less than 1 month' time band in the above maturity analysis. As at 31 March 2019, the aggregate undiscounted cash flows of these bank borrowings amounted to HK\$44,600,000 (2018: HK\$42,780,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period) are set out below.

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2019									
Bank borrowings	5.32	5,302	32,830	4,797	218	655	1,948	45,750	44,600
31 March 2018									
Bank borrowings	5.17	2,517	34,075	4,247	204	816	1,835	43,694	42,780

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.

(c) Fair values 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 with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

30. OPERATING LEASE COMMITMENTS

The Group as lessee had made minimum lease payments of HK\$242,000 (2018: HK\$240,000) under operating leases during the year in respect of office premise and car parking spaces.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	71	100
In second to fifth years inclusive	–	12
	71	112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. RETIREMENT BENEFITS PLAN

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

The total cost charged to profit or loss of HK\$578,000 (2018: HK\$511,000) represents contributions paid or payable to the above scheme by the Group for the year. As at 31 March 2019, contributions of HK\$87,000 (2018: HK\$86,000) due in respect of the corresponding reporting periods had not been paid over to the scheme.

During the year, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Listing expenses payables HK\$'000	Bank borrowings HK\$'000 (note 23)	Obligations under a finance lease HK\$'000 (note 24)	Total HK\$'000
At 1 April 2017	7,359	32,476	–	39,835
Financing cash flows	(7,359)	8,582	(138)	1,085
Interest expenses	–	1,722	40	1,762
New finance leases	–	–	1,334	1,334
Deposit paid for acquiring property, plant and equipment	–	–	(250)	(250)
At 31 March 2018	–	42,780	986	43,766
Financing cash flows	–	121	(290)	(169)
Interest expenses	–	1,699	37	1,736
At 31 March 2019	–	44,600	733	45,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

33. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure bank loans, bank overdrafts, obligation under a finance lease and general banking facilities granted by these banks to the Group are as follows:

	2019 HK\$'000	2018 HK\$'000
Leasehold land and building	6,858	7,276
Motor vehicle	761	1,028
Pledged bank deposits	13,500	13,500
Trade receivables	5,427	19,744
Contract assets	9,403	–
Amounts due from customers for contract work	–	10,194
Deposits of surety bonds	12,813	13,064
	48,762	64,806

34. RELATED PARTY DISCLOSURES

(i) Transactions

Other than the dividends as set out in note 12, the Group did not enter any other transactions with its related parties during both years.

(ii) Compensation of key management personnel

	2019 HK\$'000	2018 HK\$'000
Director's fees	432	432
Salaries and other allowances	3,960	3,900
Retirement benefits scheme contributions	36	36
	4,428	4,368

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

35. SURETY BONDS

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed.

At the end of the reporting period, the Group had outstanding surety bonds as follows:

	2019	2018
	HK\$'000	HK\$'000
Issued by insurance companies	52,010	75,094

36. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2018 and 2019 were as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid ordinary share capital	Effective interest attributable to the Group as at 31 March		Principal activities
			2019	2018	
			%	%	
Idea Lion Limited*	The British Virgin Islands (the "BVI") 26 September 2016	United States dollar ("US\$") 10	100	100	Investment holding
Diamond Step Ventures Limited*	The BVI 26 September 2016	US\$22	100	100	Investment holding
Fulam Construction Engineering Company Limited	Hong Kong 3 September 1999	HK\$2,200,000	100	100	Building renovation and construction services
Fulam Engineering Hong Kong Company Limited	Hong Kong 4 June 2012	HK\$10	100	100	Inactive

* Directly held by the Company

None of the subsidiaries had any debt securities outstanding at the end of the each reporting period or at any time during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

37. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investments in subsidiaries — cost	31,644	31,644
Investments in subsidiaries — deemed contribution (note i)	3,690	3,690
Amounts due from subsidiaries	35,734	37,479
	71,068	72,813
Current assets		
Prepayment	1,068	—
Bank balances and cash	2	4
	1,070	4
Total assets	72,138	72,817
Capital and reserves		
Share capital (note 26)	8,000	8,000
Share premium and reserves (note ii)	64,138	64,817
Total equity	72,138	72,817

Notes:

- (i) The amount represents the imputed interest on the amounts due from subsidiaries and such amount was capitalised as part of the investments in subsidiaries during the year ended 31 March 2018.
- (ii) Movement of share premium and reserves

	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2017	41,777	31,644	(9,492)	63,929
Profit and total comprehensive income for the year	—	—	888	888
At 31 March 2018	41,777	31,644	(8,604)	64,817
Loss and total comprehensive expense for the year	—	—	(679)	(679)
At 31 March 2019	41,777	31,644	(9,283)	64,138

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				2019
	2015	2016	2017	2018	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	163,447	279,674	335,191	445,467	277,568
Profit before taxation	9,340	18,009	17,533	27,845	22,054
Income tax expense	(1,563)	(3,012)	(5,010)	(4,706)	(3,898)
Profit and total comprehensive income for the year	7,777	14,997	12,523	23,139	18,156

ASSETS AND LIABILITIES

	At 31 March				2019
	2015	2016	2017	2018	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	91,124	113,309	192,098	202,529	202,510
Total liabilities	(79,374)	(87,589)	(127,694)	(114,986)	(109,965)
Net assets	11,750	25,720	64,404	87,543	92,545