



# 常滿控股有限公司

## Sheung Moon Holdings Limited

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

Stock Code: 8523



ANNUAL REPORT 2019

## **Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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*This report, for which the directors (the “**Directors**”) of Sheung Moon Holdings Limited (the “**Company**” or “**our**”) 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 and its subsidiaries (collectively refer to as the “**Group**”). 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 on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting. This report will also be published on the Company’s website at [www.smcl.com.hk](http://www.smcl.com.hk).*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Tang Sze Wo (*Chairman*)

Mr. Lai Yung Sang

### Independent non-executive Directors

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

Mr. Leung Kim Hong

## COMPANY SECRETARY

Ms. Chau Hing Ling

## COMPLIANCE OFFICER

Mr. Tang Sze Wo

## BOARD COMMITTEES

### Audit committee

Mr. Wong Choi Chak (*Chairman*)

Dr. Wong Kwok Yiu Chris

Mr. Leung Kim Hong

### Nomination committee

Mr. Leung Kim Hong (*Chairman*)

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

### Remuneration committee

Dr. Wong Kwok Yiu Chris (*Chairman*)

Mr. Wong Choi Chak

Mr. Leung Kim Hong

### Risk management committee

Mr. Wong Choi Chak (*Chairman*)

Mr. Tang Sze Wo

Dr. Wong Kwok Yiu Chris

Mr. Leung Kim Hong

## AUTHORISED REPRESENTATIVES

Mr. Tang Sze Wo

Ms. Chau Hing Ling

## COMPANY'S WEBSITE

<http://www.smcl.com.hk>

## AUDITOR

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway

Hong Kong

## COMPLIANCE ADVISER

LY Capital Limited

Rooms 1901-02

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN

### HONG KONG

Room A, 15th Floor

Kings Tower

111 King Lam Street

Cheung Sha Wan

Kowloon

Hong Kong

# CORPORATE INFORMATION

## **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

China Construction Bank (Asia)  
Corporation Limited  
CCB Tower  
3 Connaught Road Central  
Hong Kong

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

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

## **HONG KONG BRANCH SHARE REGISTRAR**

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

(With effect from 11 July 2019, the address  
will be changed to:

Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong)

## **STOCK CODE**

8523

# FINANCIAL HIGHLIGHTS

A summary of the results and assets and liabilities of the Group for the following financial years are disclosed below:

## CONSOLIDATED RESULTS

	For the year ended 31 March			
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note)
Revenue	40,298	89,977	246,194	<b>335,036</b>
Profit before taxation	7,525	12,396	13,434	<b>29,743</b>
Profit for the year	<u>5,326</u>	<u>9,744</u>	<u>8,777</u>	<b><u>24,763</u></b>
Earnings per share (HK cents per share)				
Basic	<u>2.24</u>	<u>4.10</u>	<u>3.19</u>	<b><u>6.19</u></b>
Diluted	<u>N/A*</u>	<u>4.10</u>	<u>3.19</u>	<b><u>N/A*</u></b>

## CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March			
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	31,348	32,348	57,218	<b>83,779</b>
Current assets	<u>18,770</u>	<u>51,477</u>	<u>141,349</u>	<b><u>181,802</u></b>
Total assets	<u>50,118</u>	<u>83,825</u>	<u>198,567</u>	<b><u>265,581</u></b>
Non-current liabilities	(8,227)	(18,812)	(14,608)	<b>13,047</b>
Current liabilities	<u>(20,505)</u>	<u>(31,188)</u>	<u>(73,656)</u>	<b><u>117,621</u></b>
Total liabilities	<u>(28,732)</u>	<u>(50,000)</u>	<u>(88,264)</u>	<b><u>130,668</u></b>
Net assets	<u>21,386</u>	<u>33,825</u>	<u>110,303</u>	<b><u>134,913</u></b>

\* Not applicable

Note: Since 1 April 2018, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments" issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information. Accordingly, certain comparative information for the years ended 31 March 2016, 2017 and 2018 may not be comparable to those information for the year ended 31 March 2019. Details of the application of these new accounting standards are disclosed in note 2 to the consolidated financial statements in this annual report.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to report the annual results of the Group for the year ended 31 March 2019.

For the year ended 31 March 2019, the Group recorded revenue of approximately HK\$335.0 million, representing an increase of approximately 36.1% as compared with the last corresponding year. For the year ended 31 March 2019, the Group's profit was HK\$24.8 million, representing an increase of 181.8% as compared with the last corresponding year. The Board does not recommend payment of a final dividend for the year ended 31 March 2019 (2018: nil).

## FORWARD

In the recent annual policy speech, the Hong Kong Chief Executive proposed a large scale reclamation plan. In addition, some other big infrastructural projects are already progress. As the Group being an approved contractor of the government of Hong Kong Special Administrative Region, the Directors believe that the Group's construction business will remain strong and continue to grow with tremendous potentials.

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) upgrade construction licences to be able to bid larger public construction contracts; (ii) further strengthening our manpower and service capacity; (iii) maintain an integrated management system and a prudent financial management.

## APPRECIATION

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

**Tang Sze Wo**  
*Chairman*

18 June 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a local contractor in the civil engineering construction industry and is principally engaged in the provision of site formation works, road and drainage works as well as structural works in both public and private sectors in Hong Kong. The Group is an approved contractor of the government of Hong Kong Special Administrative Region (the “**Government**”), a registered general building contractor and a specialist contractor (site formation works) with the Hong Kong Buildings Department.

In order to cope with the Group’s business expansion, the shares of the Company (the “**Shares**”) were successfully listed on the GEM of the Stock Exchange on 12 February 2018 (the “**Listing Date**”).

The following table sets out the number of contracts awarded to and completed by the Group and the aggregate contract sum during the year under review:

	<b>Number of Contracts</b>	<b>Aggregate contract sum<sup>(Note)</sup> HK\$' million</b>
As at 1 April 2018		
Existing contracts	31	460.5
During the financial year ended 31 March 2019		
Contracts completed	2	4.8
New contracts awarded	7	175.2
As at 31 March 2019	36	630.9

*Note:* The aggregate contract sum is based on a total of all contract sums stated in the initial agreements between the Group’s customers and the Group. It does not include additions and modifications due to subsequent variation orders. The final revenue recognised from a contract may differ from the contract sum initially agreed between the contracting parties.

During the year ended 31 March 2019, the Group has been awarded 7 civil engineering construction projects with total original contract sum amounted to approximately HK\$175.2 million.

As at 31 March 2019, the Group had a total of 36 civil engineering construction projects on hand with total original contract sum amounted to approximately HK\$630.9 million.

During the year, the Group continued to purchase new site equipment for its projects to replace those leased equipment. This allows more flexibility and better control by the Group in utilising its site equipment. Occasionally, the Group may lease out its site equipment when they are temporarily idle.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group has been granted more banking facilities to cope with the increase in demand for operating funds as a result of business expansion and development. The Group also strengthened its contract department and civil engineering department by recruiting more experienced engineering professionals.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately HK\$88.8 million, or 36.1%, from approximately HK\$246.2 million for the year ended 31 March 2018 to approximately HK\$335.0 million for the year ended 31 March 2019. Such increase was primarily due to more variation orders (ie. subsequent additions or modifications to the scope of works laid out in the original construction contracts) have been undertaken by the Group especially the significant increase in variation orders from Tseung Kwan O Area 137 contract during the last three months of the year ended 31 March 2019. The increase was also due to the requests from customers to finish more works before the long Chinese New Year public holiday. Besides, more contracts have been awarded to the Group during the year under review as compared to last year.

### Direct Costs

Direct costs primarily comprised subcontracting fee, direct labour cost, construction materials, rental of site equipment, depreciation of site equipment, petrol consumption as well as transportation expenses. Direct cost increased by approximately HK\$82.2 million, or 39.0%, from approximately HK\$210.9 million for the year ended 31 March 2018 to approximately HK\$293.1 million for the year ended 31 March 2019. Such increase was mainly attributable to the increase in subcontracting fees and labour wages as a result of increase in construction projects and variation orders undertaken. More material costs, transportation expenses and petrol have been consumed.

### Gross Profit and Gross Profit Margin

As a result of the increase in revenue, the Group's gross profit increased by approximately HK\$6.6 million, or 18.7%, from approximately HK\$35.3 million for the year ended 31 March 2018 to approximately HK\$41.9 million for the year ended 31 March 2019. However, gross profit margin went down from 14.3% for the year ended 31 March 2018 to 12.5% for the year ended 31 March 2019. Such drop was due to the rise in subcontracting cost both in terms of volume as well as subcontracting price as compared with last corresponding year and more site workers were recruited and their overtime payment in order to meet the tight deadline of some construction projects as well as the overall increase in price of construction materials, site maintenance expenses and petrol expenses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Other income for the year ended 31 March 2019 comprises rental income from leasing of site equipment, rental income from the Group's investment property and one-off sponsorship money received from the Group's stakeholders for congratulation on the successful listing of the Company's Shares on the Stock Exchange.

Other income decreased by approximately HK\$0.5 million or 23.8% from approximately HK\$2.1 million for the year ended 31 March 2018 to approximately HK\$1.6 million for the year ended 31 March 2019. Such decrease was mainly due to the drop in short-term rental income received from leasing out of the site equipment as all in-house site equipment were reserved for own use in the last quarter of the year under review.

## Other Gains and Losses

Other gain for the year ended 31 March 2018 mainly comprised fair value gain of approximately HK\$1,000,000 on the Group's investment property and fair value loss of approximately HK\$781,000 on the Company's convertible loan notes as well as a gain on disposal of fixed assets of approximately HK\$3,000 while other gain for the year ended 31 March 2019 comprised only the fair value gain of approximately HK\$100,000 on the Group's investment property. This explains why the other gain decreased by approximately HK\$116,000, or 53.7% from gain of approximately HK\$216,000 for the year ended 31 March 2018 to gain of approximately HK\$100,000 for the year ended 31 March 2019.

## Administrative Expenses

Administrative expenses increased by approximately HK\$2.2 million or 23.9% from approximately HK\$9.2 million for the year ended 31 March 2018 to approximately HK\$11.4 million for the year ended 31 March 2019. The increase was mainly due to the increase in payment of professional fees and hiring of senior staff after successful listing of the Company's Shares on the Stock Exchange and the increase in employees' salaries and welfare so as to maintain the Group's competitiveness in the industry.

## Finance Costs

Finance costs decreased by approximately HK\$0.8 million or 25.0% from approximately HK\$3.2 million for the year ended 31 March 2018 to approximately HK\$2.4 million for the year ended 31 March 2019. The decrease was mainly due to no more loan interest was required to be paid to the convertible loan notes holder for the year ended 31 March 2019 as the loan was fully converted into shares just before the Listing Date (for the year ended 31 March 2018, total loan interest paid to convertible loan notes holder was approximately HK\$1.7 million). Despite the decrease in convertible loan notes interest, the Group recorded an increase in bank loan interest from approximately HK\$0.8 million for the year ended 31 March 2018 to HK\$1.7 million for the year ended 31 March 2019 due to more banking facilities were required to cope with the rapid growth in construction activities undertaken.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Listing Expenses

No further listing expenses were incurred for the year ended 31 March 2019. The amount of listing expenses incurred for the year ended 31 March 2018 was approximately HK\$11.8 million.

## Taxation

Taxation expenses increased by approximately HK\$0.3 million or 6.4% from approximately HK\$4.7 million for the year ended 31 March 2018 to approximately HK\$5.0 million for the year ended 31 March 2019. Such increase was due to increase in assessable profits chargeable to Hong Kong Profits Tax.

As a result of the above, the Group recorded a profit of approximately HK\$24.8 million for the year ended 31 March 2019 (year ended 31 March 2018: profit of approximately HK\$8.8 million).

## PROSPECT

In the recent annual policy speech, the Hong Kong Chief Executive proposed a large scale reclamation plan to build an 1,000 hectares artificial island in the east of Lantau Island and turn the reclaimed land into a residential and business hub. If a green light is finally given to this huge project, it is expected that there will be more opportunity in public construction and civil engineering works arising from and incidental to this reclamation project. The Directors are confident that the Group will continue to benefit from the infrastructure policy implemented by the Government in order to promote economic growth.

As a large number of long term infrastructure projects in Hong Kong will be carried out at the same time or one after another, it is expected that the prospect for the construction industry in Hong Kong will be very prosperous and optimistic. The Directors believe that the Group's construction business will remain strong and continue to grow with tremendous potentials. The Group is in the process of upgrading its site formation works and roads and drainage works under public works licences granted by the Works Branch of the Development Bureau of the Government from existing category Group B of site formation works and category Group A of roads and drainage works to category Group C and category Group B respectively. If such applications are granted, the Group will be able to bid larger public construction contracts with higher contract sums and better profit margins.

With a proven track record and strong foothold in the industry, the Group will endeavour to maintain a steady growth in its construction business so as to maximise the return of the Company's shareholders (the "**Shareholders**").

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and Financial Resources

During the year under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 31 March 2019, the Group had a healthy financial position with net assets amounted to approximately HK\$134.9 million (31 March 2018: approximately HK\$110.3 million). Net current assets stood at approximately HK\$64.2 million (31 March 2018: approximately HK\$67.7 million). As at 31 March 2019, the Shareholder's equity amounted to approximately HK\$134.9 million (31 March 2018: approximately HK\$110.3 million). Current assets amounted to approximately HK\$181.8 million (31 March 2018: approximately HK\$141.3 million), mainly comprising trade and other receivables, contract assets, bank balances and cash (excluding pledged bank deposits of HK\$21.1 million which has been classified as non-current asset (31 March 2018: HK\$3.0 million)). Increase in current assets for the year ended 31 March 2019 as compared to previous year was mainly due to increase in trade receivable as large amount of certified construction activities were billed during the last quarter of the year under review, 95.9% of the trade receivables outstanding as at 31 March 2019 were subsequently settled as at 31 May 2019.

Current liabilities amounted to approximately HK\$117.6 million (31 March 2018: approximately HK\$73.7 million), mainly comprising trade and other payables and accruals, contract liabilities, tax payable, bank borrowings and obligations under finance leases. Increase in current liabilities for the year ended 31 March 2019 as compared to previous year was mainly due to increase in trade payable and bank borrowing as a result of increase in construction activities.

As at 31 March 2019, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$21.1 million) amounted to approximately HK\$27.5 million (31 March 2018: approximately HK\$42.6 million). The decrease in bank balances and cash for the year ended 31 March 2019 as compared to previous year was due to large amount of operating funds were committed to finance the Group's construction activities during the year under review. The Group's bank balances and cash (including pledged bank deposits of approximately HK\$21.1 million) amounted to approximately HK\$74.2 million as at 31 May 2019. Net asset value per Share was HK\$0.34 (31 March 2018: HK\$0.28) as at 31 March 2019.

As at 31 March 2019, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and obligations under finance leases to total equity, was 51.0% (31 March 2018: 33.6%). Such increase was mainly due to the increase in bank borrowings and new site equipment purchased under hire purchase arrangement as a result of increase in construction activities during the year under review. The unutilised bank facilities was amounted to approximately HK\$43.9 million as at 31 March 2019.

As the Company was successfully listed on GEM on the Listing Date, the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and the net proceeds from the listing and other fund raised from the capital markets from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Structure

As at 31 March 2019, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks, obligations under finance leases and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves. Borrowings from banks were mainly denominated in Hong Kong dollars and were secured by pledged bank deposits and investment property.

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## Significant Investments Held

As at 31 March 2019, the Group did not have any significant investments held (31 March 2018: nil).

## Charges on the Group's Assets

As at 31 March 2019, the Group's property, plant and equipment with an aggregate carrying amounts of approximately HK\$48.4 million (31 March 2018: approximately HK\$39.9 million) and investment property of approximately HK\$14.3 million (31 March 2018: approximately HK\$14.2 million) were pledged for obtaining general banking facilities, while bank deposits of approximately HK\$21.1 million (31 March 2018: HK\$3.0 million) was pledged to secure banking facilities granted to the Group.

## Foreign Exchange Exposure

The Group's operating activities such as revenue, direct costs, expenses, monetary assets and liabilities are all transacted and denominated in Hong Kong dollars. The Group currently has no foreign currency hedging policy as the exposure to foreign exchange risk is very rare. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

## Contingent Liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities (31 March 2018: nil).

## Capital Commitment

As at 31 March 2019, the Group did not have any significant capital commitment (31 March 2018: nil).

## Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 31 January 2018 (the "Prospectus"), the Group did not have other plan for material investments and capital assets.

## Employees and Remuneration Policies

As at 31 March 2019, the Group had a total staff (including the Directors) of approximately 350 employees (as at 31 March 2018: 260). Total staff cost including Directors' remuneration for the year ended 31 March 2019 amounted to approximately HK\$101.9 million (for the year ended 31 March 2018: approximately HK\$67.1 million). The remuneration package offered by the Group to its employees including salaries and discretionary bonuses. In general, the Group determines employee salaries based on individual employee's qualifications, position and seniority. Employees performance will be assessed annually, which forms the basis of the Group's decisions with respect to salary increment, discretionary bonuses and promotions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Use of Proceeds

Our estimated net proceeds from the Hong Kong Public Offering of the Offer Shares (the “Public Offer”) were approximately HK\$25.0 million. The actual net proceeds from the listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$30.0 million and would be used as follows.

Business strategy as stated in the Prospectus	From the Listing Date to 31 March 2018	For the six months ended 30 September 2018	For the six months ended 31 March 2019	For the six months ending 30 September 2019	For the six months ending 31 March 2020	Total
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
To expand and increase our service capacity	0	12.0	3.0	0	0	15.0
To capture the market growth in the public and private sector	0	0	1.5	2.3	3.7	7.5
To expand the accounting and administrative team	0	0	0.2	1.3	1.5	3.0
To reduce financial cost and increase profit return	2.1	0	0	0	0	2.1
General working capital of our Group	0	2.4	0	0	0	2.4
<b>Total</b>	<b>2.1</b>	<b>14.4</b>	<b>4.7</b>	<b>3.6</b>	<b>5.2</b>	<b>30.0</b>

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing Date up to 31 March 2019 are set out as below:

Business strategy as stated in the Prospectus	Percentage of total net proceeds	Planned use of net proceeds from the Listing Date to 31 March 2019	Actual use of net proceeds from the Listing Date to 31 March 2019	Unutilised net proceeds as at 31 March 2019
		Planned applications HK\$' million	HK\$' million	
To expand and increase our service capacity	50%	15.0	15.0	1.0
To capture the market growth in the public and private sector	25%	7.5	1.5	0
To expand the accounting and administrative team	10%	3.0	0.2	0
To reduce financial cost and increase profit return	7%	2.1	2.1	0
General working capital of our Group	8%	2.4	2.4	0
<b>Total</b>	<b>100%</b>	<b>30.0</b>	<b>21.2</b>	<b>1.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

The implementation activities have been fulfilled and the business strategy has been achieved at less than the allocated net proceeds. The unutilised net proceeds of approximately HK\$1.0 million has now been placed as deposits into licensed banks in Hong Kong, and will be used to purchase more site equipment. Such purchase will be consistent with the proposed applications set out in the section headed "Future plans and use of proceeds" in the Prospectus and are expected to be fully utilised by 31 December 2019. As at 31 March 2019, the unused net proceeds of HK\$8.8 million have been placed as deposits into licensed banks in Hong Kong.

The net proceeds from the Public Offer were used and expected to be used according to the intentions previously disclosed in the Prospectus. As at the date of this annual report, there was no material change or material delay in the use of proceeds of the Company.

## Comparison of Business Objective with Actual Business Progress

During the period between the Listing Date and 31 March 2019, the Group has utilised approximately HK\$20.2 million from the net proceeds received from listing to expand its business. An analysis comparing the intended 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:

<b>Business strategy as stated in the Prospectus</b>	<b>Implementation activities up to 31 March 2019 as stated in the Prospectus</b>	<b>Actual business progress up to 31 March 2019</b>
To reduce financial cost and increase profit return	Company to reduce financial costs by repaying short-term loans	Part of the bank borrowings and obligations under finance leases have been repaid
To expand and increase our service capacity	Company to acquire additional site equipment including: <ul style="list-style-type: none"><li>• 5 excavators</li><li>• 4 bulldozers</li><li>• 4 generators</li><li>• 4 grab lorries</li><li>• 3 water-spraying cars</li></ul>	All additional site equipment and lorries have been purchased

# MANAGEMENT DISCUSSION AND ANALYSIS

Business strategy as stated in the Prospectus	Implementation activities up to 31 March 2019 as stated in the Prospectus	Actual business progress up to 31 March 2019
To capture the market growth in the public and private sector	<p>Company to:</p> <ul style="list-style-type: none"> <li>• Expand projects team for the business growth of the Group including a project manager, a quantity surveyor, a foreman, and a safety officer</li> <li>• Provide remuneration for existing and incoming project management team including 1 project manager, 1 qualitative surveyor, 1 foreman and 1 safety officer</li> <li>• Provide staff training including occupational safety and health, environmental sustainability, construction supervision, advanced construction techniques, and technology and management</li> </ul>	<ul style="list-style-type: none"> <li>• A project manager, a quantity surveyor, a foreman, and a safety officer have been recruited</li> <li>• Remuneration for existing and incoming project management team including 1 project manager, 1 qualitative surveyor, 1 foreman and 1 safety officer have been provided</li> <li>• Staff training including occupational safety and health, environmental sustainability, construction supervision, advanced construction techniques, and technology and management have been provided</li> </ul>
To expand the accounting and administrative team	Company to expand the finance and administrative team by recruiting a cost accountant	A cost accountant has been recruited



# MANAGEMENT DISCUSSION AND ANALYSIS

<b>Business strategy as stated in the Prospectus</b>	<b>Implementation activities up to 31 March 2019 as stated in the Prospectus</b>	<b>Actual business progress up to 31 March 2019</b>
General working capital of our Group	Initial investments (preliminary site inspection, labor, material procurement) for new project	Initial investments (including preliminary site inspection, labor, material procurement) for new project were completed

*Notes:*

1. The business objectives as stated in the Prospectus were based on the best estimation of the future industry conditions made by the Group at the time of preparing the Prospectus. The actual use of net proceeds was applied in accordance with the actual industry conditions.
2. Since the Listing of the Company on the Listing Date, the Directors have been constantly reviewing and comparing the Group's business strategies as disclosed in the Prospectus with changing industry conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Tang Sze Wo (鄧仕和) (“Mr. SW Tang”)**, aged 57, is our executive Director, chairman of the Board and compliance officer. Mr. SW Tang is primarily responsible for overall planning and strategic development and financial management of the Group. He founded the Group in February 1997. Prior to this, he was employed by Shun Yip Construction Co., Limited from March 1984 to January 1994, mainly responsible for supervision and training. From January 1994 to December 1996, he was employed as a general foreman by Hongkong Macau (Holding) Limited, responsible for the management and supervision of various building development projects in Hong Kong and the PRC. He was an independent non-executive director of Keen Ocean International Holding Limited, a company listed on the Stock Exchange (stock code: 8070) from February 2016 to June 2017.

Mr. SW Tang obtained a Master of Construction Engineering and Management from the Griffith University in Australia in April 2002. He obtained a Bachelor of Science in Construction Project Management with honours from the University of Central Lancashire in June 2005. He was also awarded the Certificate in Legal Studies in July 2006 and the Diploma in Legal Studies in September 2007 from the University of Hong Kong School of Professional and Continuing Education. Mr. SW Tang was admitted as a member of the Hong Kong Institution of Engineers in May 2007 and a registered professional engineer (civil) of the Engineers Registration Board of Hong Kong in September 2008. He was appointed as a member of the Registered Contractors’ Disciplinary Board Panel between June 2008 and June 2011. In January 2015, he was appointed as the vice president of The Hongkong Registered Contractors Association and the chairman of Water Supplies, a sub-group of The Hongkong Registered Contractors Association.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SW Tang was a director of the following companies incorporated in Hong Kong, which were dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Construction Industry Training Authority – Management Graduates Alumni Association Limited	Promotion of industry development	27 December 2006	Dissolution by way of creditors' voluntary winding up	The Construction Industry Training Authority – Construction Management Graduates Alumni Association decided to cease operation of the company
Crown Fame Engineering Consultants Limited	Provision of consultancy services	17 July 2015	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Fook Hoi International Enterprises Limited	Dormant	16 October 2009	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Friendship Construction Engineering Limited	Dormant	18 February 2011	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Hung Yue Construction Company Limited	Dormant	11 March 2016	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Kong Ki Construction Limited	Dormant	15 January 2010	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Organic Farming Service Limited	Dormant	9 October 2015	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Sheung Fat Construction & Engineering Limited	Dormant	29 September 2000	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Sheung Moon Infrastructure Engineering Limited	Dormant	7 November 2014	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Sheung On Construction & Engineering Limited	Dormant	28 December 2001	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
The Hong Kong Institute of Professional Engineers Limited	Promotion of industry development	5 August 2011	Striking off under section 291 of the Predecessor Companies Ordinance	Organisation ceased to operate the Company
Trump Engineering Limited	Dormant	29 January 2016	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Yue Kei Construction Company Limited	Dormant	22 September 2006	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. SW Tang confirmed that (i) all debts and liabilities of Construction Industry Training Authority – Construction Management Graduates Alumni Association Limited were settled at the time of its dissolution and (ii) each of the other companies stated above of which he was a director was solvent at the time of their respective dissolution.

**Mr. Lai Yung Sang (黎容生)**, aged 50, is our executive Director and chief executive officer. Mr. Lai is primarily responsible for general operations and construction project management of the Group. He received a Certificate in Civil Engineering from the Haking Wong Technical Institute in Hong Kong in October 1992 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. He further obtained Industrial Centre Training Certification in Metal Scaffolding from the Hong Kong Polytechnic University in January 2002 and a Certificate for Safety Supervisor from the HSE Training Centre in December 2005. He joined the Group in October 2014 as our deputy general manager primarily responsible for preparing and submissions of tenders for potential projects and was promoted as our general manager in August 2015. His employment history prior to this is set out below:

Period	Company	Position	Responsibilities
August 1988 – May 1991	Sho Bond (Hong Kong) Ltd., a company engaging in construction of waterproofing, concrete repairing and finishing works	Works supervisor	Management of project progress
July 1991 – June 1992	Shui On Civil Contractors Ltd., a company engaging in construction of submachine outfall	Assistant site administrator	Administrative support

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
July 1992 – March 1995	The Express Builders Co., Ltd., a company engaging in construction of formation and foundation works	Construction site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
April 1995 – March 1997	Well Technology Engineering Co., Ltd., a company engaging in construction of structural and pipe works	Site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
August 1997 to January 2003	Kin Lee Ko Construction Co., Ltd., a company engaging in construction of site formation, structural and road and drainage works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination with sub-contractors, contractors, consultants and clients
February 2003 – July 2015 <sup>(note)</sup>	Kin Lee Civil Engineering Co., Ltd., a company engaging in construction of site formation and structural works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination and meeting with sub-contractors, contractors, consultants and clients

*Note:* From October 2014 to July 2015, Mr. Lai also worked with Kin Lee Civil Engineering Co., Ltd., on a part-time basis to mainly attend to any follow-up works of a completed project.

Mr. Lai was a director of the following company incorporated in Hong Kong, which was dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Ever-Living Industrial Company Limited	Trading of plastic raw materials	9 August 2002	Striking off under section 291 of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. Lai confirmed that the above company of which he was a director was solvent at the time of its dissolution.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Wong Kwok Yiu Chris (王國耀)**, aged 60, was appointed as our independent non-executive Director on 24 January 2018. Since returning from the United Kingdom in 1992, he has been an specialist in Cardiology at the Heart Center of the Hong Kong Adventist Hospital since December 1992. Dr. Wong has been an Honorary Consultant in Cardiology of St. Paul's Hospital since 1995, where he assisted with the planning and acquisition of a new Cardiac Catheterization Laboratory with full electrophysiology capability; and of the Hong Kong Sanatorium & Hospital since January 1999. He obtained a Bachelor of Medicine and Bachelor of Surgery from the University of Glasgow in July 1983 and has been a member of the Royal Colleges of Physicians of the United Kingdom since November 1986. He was further admitted as a member of the North American Society of Pacing & Electrophysiology in 1991, and of the British Medical Association in 1992.

Dr. Wong was elected to fellowship of the Hong Kong College of Physicians and the Hong Kong Academy of Medicine in 1992 and 1993, respectively. In 1993, he was also elected to fellowship of the Hong Kong College of Cardiology, in which he had held different positions in the council including the honorary treasurer, the honorary secretary, the president elect and the president. Dr. Wong was further elected to fellowship of the Royal College of Physicians of Edinburgh in 1996; the Royal College of Physicians and Surgeons of Glasgow in September 1999, having been a member of the same since 1987; the Royal College of Physicians of London in 2002; as well as the European Society of Cardiology where he served as the Governor between 2011 and 2016 and the American College of Cardiology in 2012, respectively. Dr. Wong was a non-executive director of Aptus Holdings Limited, a company listed in the Stock Exchange (stock code: 8212) between January 2002 and August 2004. Since 2012, Dr. Wong has served as the vice-president of the New Life Psychiatric Rehabilitation Association.

Dr. Wong was a director of the following company incorporated in Hong Kong, which was dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
168 Flower's Limited	Floristry and manufacturing	22 August 2008	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Cessation of investment in the company

Dr. Wong confirmed that the above company of which he was a director was solvent at the time of its dissolution.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Choi Chak (黃在澤)**, aged 53, was appointed as our independent non-executive Director on 24 January 2018. Mr. Wong has worked for various listed companies for over 21 years primarily responsible for financial projection, financial control and accounting matters. Mr. Wong is currently the director in finance of China Minsheng Financial Holding Corporation Limited (formerly known as China Seven Star Holdings Limited) (stock code: 245) on a full-time basis. He was an independent non-executive director of Keen Ocean International Holding Limited (stock code: 8070) from February 2016 to March 2019. From 1992 to 1998, he worked in Lippo Limited (stock code: 226) with his last position as the general accountant. He was the chief senior accountant in Paradise Entertainment Limited (formerly known as LifeTec Group Limited) (stock code: 1180) from June 1999 to March 2000. From March 2000 to October 2001, he was the accounting manager of Yu Tak International Holdings Limited (formerly known as Hong Kong Jewellery Holdings Limited) (stock code: 8048). He was the senior finance manager in Soundwill Holdings Limited (stock code: 878) from July 2002 to June 2003. He was also the financial controller and company secretary of De Team Company Limited (stock code: 65) from October 2003 to January 2015. All of the above companies are listed on the Stock Exchange. Mr. Wong obtained a bachelor's degree in Business Accounting from the University of Lincolnshire & Humberside, England in June 2000. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in May 2000 and a fellow member of the Association of Chartered Certified Accountants in April 2015.

**Mr. Leung Kim Hong (梁劍康)**, aged 39, was appointed as our independent non-executive Director on 24 January 2018. Mr. Leung was employed with the last position as a graduate engineer by Maunsell Consultants Asia Ltd. and its group companies between July 2002 and February 2007 and acted as a licensed representative of Angus Moore Limited between July 2007 and July 2008. In July 2009, he was engaged by T G Holborn (HK) Limited as a consultant and since July 2013 he worked in KGI Hong Kong Limited and its associate companies with the last position as an investment representative. He had been a full-time consultant at Target Capital Management Ltd. between December 2016 and March 2018, responsible for asset management. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Engineering in Civil Engineering in December 2002 and from the Chinese University of Hong Kong with a Master of Business Administration (Weekend Mode) in November 2015. Mr. Leung was conferred by CFA Institute as a Chartered Financial Analyst in March 2013, by Global Association of Risk Professionals as a Financial Risk Manager in April 2010. He has also been a member of The Hong Kong Institution of Engineers since March 2007.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Kan Wai On Thomas (簡維安)**, aged 56, joined the Group as a project manager in April 2017. Mr. Kan is primarily responsible for planning and project management. He obtained a Certificate in Civil Engineering Studies from the Haking Wong Technical Institute in September 1991 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. Mr. Kan obtained the Certificate for Safety Supervisor from the HSE Training Centre in September 2007 and the Construction Industry Safety Training Certificate from the Hong Kong Human Resources Ltd in April 2016. Mr. Kan's employment history prior to joining the Group is set out below:

Period	Company	Position	Responsibilities
February 1992 – May 1995	Gammon Construction Ltd, a company engaging in construction of G1 works and providing technical advice	Senior technician	Monitoring site works and safety
May 1995 – January 1998	Chung Wah Machine Well Eng. Ltd, a company engaging in construction of ground investigation work and piling work	Site agent	Monitoring site works and safety
February 1998 – September 2002	City Geo.Eng. Co., Ltd., a company engaging in site investigation and gravity works	Site agent	Monitoring site works and safety
February 2002 – September 2006	Falcon Construction Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Supervisor	Monitoring site works and safety
October 2006 – September 2007	Chesco Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Site agent	Monitoring site works and safety
October 2007 – October 2010	Falcon Foundation Engineering Company Limited, a company engaging in construction of ground treatment and piling foundation work	Senior supervisor	Monitoring site works and safety
October 2010 – August 2011	China National Chemical Engineering Group Corporation, a company engaging in construction of cyclor track and formation work	Senior supervisor	Preparing the work program and materials



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
August 2011 – October 2016	Win Win Way Construction Company Ltd, a company engaging in construction of site investigation piling and foundation including building works	Site agent	Preparing the work program and materials
December 2016 – April 2017	Leadtops Raymond Limited, a company engaging in building and formation work	Consultant inspector	Inspecting work progress

**Mr. Ho Wai Cheong (何偉昌)**, aged 51, is the senior quantity surveyor of the Group, responsible for quantity surveying of civil projects. Mr. Ho obtained a diploma in Surveying (Quantity Surveying) from the College of Estate Management in February 1994, a Higher Diploma in Building Technology and Management from the Hong Kong Polytechnic University in November 1990. He joined the Group in March 2017 as a senior quantity surveyor. Mr. Ho's employment history prior to joining the Group is set out below:

Period	Company	Position	Responsibilities
June 1992 – June 1995	Acer Freeman Fox Consultant TW74/90, a company engaging in government projects	Surveyor officer (quantity)	Preparing final accounts and contract claims; liaising with contractors
June 1996 – June 1997	Balfour Beatty Limited, a company engaging in railway projects	Project quantity surveyor	Post contract, cost control and project administration
June 1998 – June 1999	Downer Construction Ma On Shan Reservoir and Associated, a company engaging in government water works	Project quantity surveyor	Post contract, cost control and final accounts
April 2000 – May 2002	(HKACEJV – CC 213), a company engaging in railway projects	Building quantity surveyor	Post contract sub-contractor management and contract claims
May 2005 – August 2010	China International Water & Electricity Corporation, a company engaging in government projects	Project quantity surveyor	Negotiating contracts; project cost control; obtaining permits; preparing temporary traffic arrangement designs

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
July 2011 – July 2013	Kwan Lee Construction Ltd, a company engaging in drainage projects of the government	Senior quantity surveyor	Preparing final accounts; negotiating settlements
June 2014 – October 2016	Chevalier Construction HK, a company engaging in waterworks projects	Senior quantity surveyor	Preparing final accounts and contract claims submission and settlement

**Mr. Sek Wai Kit (石偉杰)**, aged 37, is the senior accounting manager of the Group, responsible for financial control of the Group. Mr. Sek received a Bachelor of Business Accounting from the Australia Catholic University in November 2004. He has been a member of CPA Australia since September 2009. Mr. Sek joined the Group as an accountant in November 2016. His employment history prior to joining the Group is set out below:

Period	Company	Position	Responsibilities
November 2004 – March 2006	Chan, Seing & Company, a company engaging in accounting, audit and tax services	Junior audit assistant	Providing audit, taxation and accountancy services for trading, property investment and manufacturing companies; client management
May 2006 – May 2011	Y. W. Ip & Company, a company engaging in accounting, audit and tax services	Senior audit assistant	Providing audit, taxation and accountancy services for and reviewing internal control systems of trading, property investment and manufacturing companies incorporated in Hong Kong and China; drafting audit report and consolidated financial statements in statutory format; preparing audit planning memorandum and audit highlights; supervising junior colleagues
July 2011 – March 2014	Wing Tai Properties (Hong Kong) Limited, a company engaging in property development	Internal auditor	Preparing risk assessment for the audit projects; performing internal control, operational and financial reviews; drafting internal audit reports; supervising the internal audit assistants

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
March 2014 – March 2016	Hong Kong Red Cross	Internal audit officer	Preparing risk assessment; performing internal control and operational reviews; drafting internal audit reports
April 2016 – November 2016	China Technical Markets Limited, a company engaging in construction	Accountant	Preparing account and financial statements; providing analysis of bar-bending construction work; handling monthly payroll; preparing budgets

**Mr. Tse Wai Chun (謝維俊)**, aged 28, is the accounting manager of the Group and is responsible for accounting management. He joined the Group as an accountant in March 2015, responsible for handling accounts and customer relations. He obtained a Certificate in Disciplinary Forces from the Lingnan Institute of Further Education in July 2011 and is currently pursuing an Advanced Diploma in Accounting at the University of Hong Kong School of Professional and Continuing Education. He was an administrative assistant of Best Global Asia Pacific Limited between November 2012 and November 2014, responsible for stock management, data collection and organisation and customer relations.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2019.

## CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “CG Code”) to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 March 2019, the Company has complied with the code provisions of the CG Code.

## SECURITIES TRANSACTIONS BY DIRECTORS

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 as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 March 2019.

## BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

### Executive Directors

Mr. Tang Sze Wo (*Chairman*)

Mr. Lai Yung Sang

### Independent non-executive Directors

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

Mr. Leung Kim Hong

The biographical details of all Directors are set out on pages 17 to 22 of this annual report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs.

# CORPORATE GOVERNANCE REPORT

The Board sets strategies and directions for the Group’s activities with a view to developing its business and enhancing Shareholders’ value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board’s policies and strategies to the executive Directors and management of the Group.

### Board meetings and Board practices

The Board will conduct at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening the Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company’s articles of association (the “Articles”). All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the year ended 31 March 2019, four Board meetings were held. Details of the attendance of Directors are as follows:

<b>Directors</b>	<b>Attendance/ Number of meeting(s) held</b>
<b>Executive Directors</b>	
Mr. Tang Sze Wo	4/4
Mr. Lai Yung Sang	4/4
<b>Independent non-executive Directors</b>	
Dr. Wong Kwok Yiu Chris	4/4
Mr. Wong Choi Chak	4/4
Mr. Leung Kim Hong	4/4

During the Board meeting held on 18 June 2019, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company. The senior management of the Company also provided a confirmation to the Board on the effectiveness of the Company’s risk management and internal control systems.

# CORPORATE GOVERNANCE REPORT

## **Appointment and re-election of Directors**

The current Articles provide that 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 and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. Each of the executive Directors and independent non-executive Directors has entered into a services contract or an appointment letter with the Company respectively. The services contract of each of the executive Directors is for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointment letter of each of the independent non-executive Directors is for a term of two years commencing from his appointment date, which may be terminated by not less than one month's notice in writing served by either party on the other. The aforesaid services contracts or appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

## **Continuing professional development**

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2019, each of the Directors, namely Mr. Tang Sze Wo, Mr. Lai Yung Sang, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong, received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

All Directors, namely Mr. Tang Sze Wo, Mr. Lai Yung Sang, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong, have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

## **Independent non-executive Directors**

The Company has three independent non-executive Directors, representing more than one-third of the Board, to comply with Rules 5.05(1) and 5.05A of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Wong Choi Chak has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written annual confirmation of his independence. The Company, based on such confirmations, considers Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong to be independent.

# CORPORATE GOVERNANCE REPORT

## Chairman and chief executive

In accordance to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Tang Sze Wo, the chairman of the Board, is responsible for overall planning and strategic development and financial management of the Group. Mr. Lai Yung Sang, the chief executive officer of the Company, is responsible for general operations and construction project management of the Group.

## BOARD COMMITTEES

To assist the Board in its work, the Board is assisted by four Board committees, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website ([www.smcl.com.hk](http://www.smcl.com.hk)) and the GEM's website ([www.hkgem.com](http://www.hkgem.com)).

### Audit Committee

The Board has established an audit committee (the "**Audit Committee**") on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group, and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Mr. Wong Choi Chak, who has the appropriate accounting and financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules, is the chairman of the Audit Committee.

According to the current terms of reference of the Audit Committee, meetings of the Audit Committee shall be held at least twice a year.

# CORPORATE GOVERNANCE REPORT

Four Audit Committee meetings were held during the year ended 31 March 2019. The Audit Committee has reviewed the internal audit report submitted by the independent internal control adviser. The Audit Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Group's accounting, internal audit and financial reporting function and their training programmes and budget, and has reviewed the first quarterly results for the three-month period ended 30 June 2018, the interim results for the six-month period ended 30 September 2018 and the third quarterly results for the nine-month period ended 31 December 2018. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 March 2019, and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure and has reviewed the remuneration of the auditor for the year ended 31 March 2019 and has recommended the Board to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year ending 31 March 2020, subject to approval by the Shareholders at the forthcoming annual general meeting expected to be held on 27 August 2019. The Audit Committee has also reviewed the Company's financial controls, internal control and risk management systems, and recommended the Board on risk management and internal control matters. The Audit Committee has also reviewed and monitored corporate governance functions as stipulated in code provision D.3.1 of the CG Code delegated by the Board. The attendance record of each member of the Audit Committee meeting is set out as follows:

<b>Members</b>	<b>Attendance/ Number of meeting(s) held</b>
Mr. Wong Choi Chak ( <i>Chairman</i> )	4/4
Dr. Wong Kwok Yiu Chris	4/4
Mr. Leung Kim Hong	4/4

In the opinion of the Audit Committee, as the Company has appointed the independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remain in effective.

## **Corporate governance function**

The Board has delegated the functions of corporate governance to the Audit Committee with terms of reference as set out in code provision D.3.1 of the CG Code. The aforesaid duties include:

- (a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;



# CORPORATE GOVERNANCE REPORT

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company.

## Remuneration committee

The Board has established a remuneration committee (the “**Remuneration Committee**”) on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company; (iii) reviewing and approving the management's remuneration proposals with reference to the Company's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. The Remuneration Committee has adopted the second model described in code provision B.1.2(c)(ii) under the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member of the Company).

The Remuneration Committee currently comprises three independent non-executive Directors, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong. Dr. Wong Kwok Yiu Chris is the chairman of the Remuneration Committee.

One Remuneration Committee meeting was held during the year ended 31 March 2019. The Remuneration Committee has reviewed the Company's remuneration policies, the remuneration packages of all executive Directors and senior management of the Company. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management of the Company is in accordance with the terms of the services contracts and such remuneration is fair and reasonable. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meeting(s) held</b>
Dr. Wong Kwok Yiu Chris ( <i>Chairman</i> )	1/1
Mr. Wong Choi Chak	1/1
Mr. Leung Kim Hong	1/1

# CORPORATE GOVERNANCE REPORT

## Remuneration of senior management

The remuneration of the members of the senior management of the Company by band for the year ended 31 March 2019 is set out below:

Remuneration bands	Number of Individuals	
	2019	2018
Nil to HK\$1,000,000	4	4

Further particulars regarding Directors' remuneration and the five highest paid employees are set out in note 9 to the consolidated financial statements.

## Remuneration policy

The remuneration policy of the Group for the Directors and senior management members of the Company was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members of the Company.

## Nomination committee

The Board has established a nomination committee (the "**Nomination Committee**") on 24 January 2018, which operates under terms of reference approved by the Board. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Leung Kim Hong, Dr. Wong Kwok Yiu Chris and Mr. Wong Choi Chak. Mr. Leung Kim Hong is the chairman of the Nomination Committee.

One Nomination Committee meeting was held during the year ended 31 March 2019. The Nomination Committee has reviewed the structure, size and composition of the Board and board diversity policy as well as discussing matters regarding the retirement and re-election of Directors. The Nomination Committee has also assessed the independence of independent non-executive Directors, and has reviewed and recommended to the Board on the change of independent non-executive Director and the composition of the Board committees. Details of the attendance of the members of the Nomination Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Leung Kim Hong ( <i>Chairman</i> )	1/1
Dr. Wong Kwok Yiu Chris	1/1
Mr. Wong Choi Chak	1/1

# CORPORATE GOVERNANCE REPORT

## Policy for nomination of Directors

The Company has adopted a nomination policy, details of which are disclosed as follows:

### Objectives

The Nomination Committee assists the Board in making recommendations to the Board on the appointment of Directors, and succession planning for Directors.

The policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

### Selection criteria

The Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of Directors or re-appointment of any existing Board member(s):-

- (a) reputation for integrity;
- (b) accomplishment, experience and reputation in the business and industry;
- (c) commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;
- (d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
- (e) compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 5.09 of the GEM Listing Rules; and
- (f) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations.

### Nomination procedures

The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee.

The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee.

For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

# CORPORATE GOVERNANCE REPORT

For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election of the Directors at a general meeting.

If a Shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the "Procedures for a Shareholder to Propose a Person for Election as a Director", which is available on the Company's website.

The Board shall have the final decision on all matters relating to its recommendation of candidates of the Directors to stand for election at a general meeting.

## **Risk management committee**

The Board has established a risk management committee (the "**Risk Management Committee**") on 24 January 2018 to review the general goals and fundamental policies of the risk and compliance management, internal control and risk management of the Group and internal audit functions of the Company and made recommendations to the Board on the same.

The Risk Management Committee currently comprises four members, namely Mr. Wong Choi Chak (independent non-executive Director), Mr. Tang Sze Wo (executive Director), Dr. Wong Kwok Yiu Chris (independent non-executive Director) and Mr. Leung Kim Hong (independent non-executive Director). Mr. Wong Choi Chak is the chairman of the Risk Management Committee.

Two Risk Management Committee meetings were held during the year ended 31 March 2019. The Risk Management Committee has reviewed the risk management policy and the Company's internal control and risk management systems, and recommended to the Board on risk management and internal control matters. The Risk Management Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Company's internal audit function. In the opinion of the Risk Management Committee, as the Company has appointed the independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remain in effective. Details of the attendance of the members of the Risk Management Committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meeting(s) held</b>
Mr. Wong Choi Chak ( <i>Chairman</i> )	2/2
Mr. Tang Sze Wo	2/2
Dr. Wong Kwok Yiu Chris	2/2
Mr. Leung Kim Hong	2/2

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### Auditor's remuneration

During the year ended 31 March 2019, the remuneration paid or payable to the Company's auditor in respect of their audit and non-audit services was as follows:

	<i>HK\$'000</i>
Audit service	805
Non-audit services*	<u>36</u>
Total	<u>841</u>

\* The non-audit services mainly include tax compliance services.

## BOARD DIVERSITY POLICY

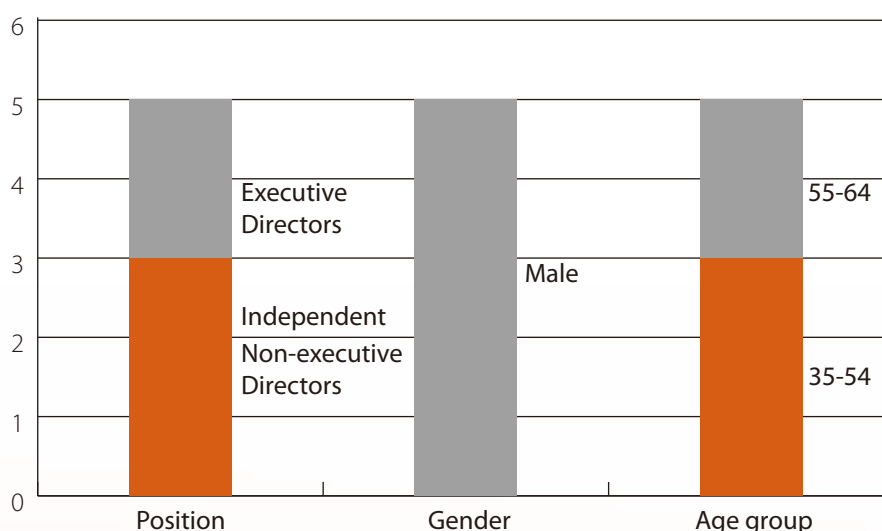
In accordance with the latest amendment and requirements of Corporate Governance Code and Corporate Governance Report in Appendix 15 of the GEM Listing Rules by the Stock Exchange, the Company has adopted a board diversity policy. The policy is summarized as below:

The board diversity policy of the Company (the "**Policy**") specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills. Based on the Nomination Committee's review for the year ended 31 March 2019, the Nomination Committee considers that these measurable objectives have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs.

# CORPORATE GOVERNANCE REPORT

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of the Policy. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 17 to page 22 of this annual report.



The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the rational structure of the Board and the experiences and skills of the Directors in various aspects and fields may enable the Company to maintain high standard operation.

## MEASURABLE OBJECTIVES

The Board has set the measurable objectives for implementing the board diversity policy for the year ended 31 March 2019 as follows:

- (i) ensuring that there is no limitation on gender on selection of Directors;
- (ii) inclusion of candidates for Board members with working experience in other industries; and
- (iii) inclusion of candidates for Board members with knowledge and skills in different aspects.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

### OVERVIEW

The Board acknowledges its responsibility to maintain an appropriate and effective risk management and internal control systems of the Group in order to drive the achievement of strategic objectives and sustainability, as well as to safeguard the Group's assets and the Shareholder's value.

The Group has established a risk management policy with reference to the Internal Control – Integrated Framework released by the Committee of Sponsoring Organisations of the Treadway Commission to govern the risk management and internal control systems of the Group. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

### RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Roles and responsibilities, risk management and internal control review processes are well-defined in the risk management policy.

#### ***Roles and responsibilities***

In order to build up risk awareness and control responsibility of every employee, roles and responsibilities over the risk management function and internal control system are specified.

The Board is responsible to oversee and conduct an annual review on the effectiveness of risk management and internal control systems. Audit Committee provides the Board its independent view on the effectiveness of risk management and internal control systems on an annual basis, after taking into account the independent and internal assessment result provided by independent internal control adviser and Risk Management Committee, respectively. Risk Management Committee assists the Board and Audit Committee to monitor significant risk exposures and to review the assessment result on the effectiveness of risk management and control activities.

The Group's department heads and employees perform risk management and control activities in accordance with the established internal policies and guidelines. Any material risk identified and the relevant action plans recommended are reported to senior management of the Company for assessment and update in risk register. As the communication channel between staff at operational level and those charged with governance, senior management of the Company is responsible to monitor the risk management and control activities and provide guidance to the Group's department heads and employees, as well as to report to Risk Management Committee in relation to the assessment result on effectiveness of risk management and control activities.

# CORPORATE GOVERNANCE REPORT

## ***Risk management and internal control review processes***

Risk management and internal control review processes of the Group are divided into 4 core stages stated as follows:

- *Risk identification*  
Factors and conditions which cause risks hindering the achievement of business objectives are identified and categorised into 4 types of risks: strategic, financial, operational and compliance.
- *Risk assessment*  
Risk assessment consists of 2 major processes: risk analysis and risk treatment. During the process of risk analysis, the likelihood of occurrences and the severity of potential impact of risks identified are assessed as high, medium or low levels. Risks are prioritised based on the risk rating scores arriving from combination of the likelihood and impact levels of risks. After considering the risk prioritisation result, risk appetite and cost and benefit analysis, risk treatment methods including avoidance, control, transfer and acceptance can be selected to handle risks at different levels.
- *Risk control activities*  
Control activities are designed to cope with risks identified after deciding the risk treatment methods. Roles and responsibilities, workflows and control measures are stipulated in a diverse range of written policies and procedures to guide control activities of the management and staff concerned. Risk register is maintained to record the risks and the relevant control measures.

Certain significant risks identified during the reporting period and the relevant risk mitigation plans are shown as below:

- (i) The Group's civil engineering construction works generate certain pollutions and may cause a wide variety of occupational health and safety ("OHS") hazards such as personal injuries or fatal accidents. To cope with the risks, the Group adopts an environmental management system, and an occupational health and safety management system, which have been certified in compliance with the standards required under ISO 14001:2015 and OHSAS 18001:2007, respectively. Procedures and measures on environmental protection and OHS are clearly specified in the Group's policies, manuals and plans. Monitoring on the strict compliance and implementation by both employees and subcontractors are performed by environmental and safety supervisors.



## CORPORATE GOVERNANCE REPORT

- (ii) The Group places heavy reliance on a limited number of major customers and a limited number of projects. There is no assurance that the Group is able to secure new projects from existing customers or seek cooperation with new customers. To minimise the risks, the Group strives to enhance its competitiveness by expanding its project team with high competence and qualification, keeping its site equipment in low average age, high efficiency and advanced functionality, maintaining a long-term good relationship with customers, subcontractors and suppliers, seeking to upgrade the Group's site formation works, and roads and drainage works under public works licences, keeping an eye on the infrastructure policy implemented by the Government, and proactively seek potential projects from both public and private sectors.
  - (iii) The Group engages subcontractors and suppliers to provide subcontracting works, and construction materials and site equipment, respectively. The availability, performance, qualification and legal compliance of the subcontractors and suppliers directly affect the result of the Group's projects. To mitigate the risks, the Group establishes internal procedures on assessment, review and monitoring of its subcontractors and suppliers. On-site inspection and monitoring are carried out to track the work progress and supervise quality of sub-contracting works and functionality of site equipment.
  - (iv) There were a number of amendments to the GEM Listing Rules, which was effective since 1 January 2019. Relevant training has been provided to the Directors during the reporting period. Certain policies, including the board diversity policy, dividend policy, terms of the reference of Audit Committee and terms of reference of Nomination Committee have been revised/prepared, as well as approved.
- *Supervision and reporting*

Internal assessment on the effectiveness of risk management and control activities are carried out by employees at operational level and monitored by senior management of the Company. The result of assessment, including the identification of weaknesses and improvement areas and the suggested remedial action plans, is reported to Risk Management Committee for review.

An independent review on the effectiveness of risk management and internal control systems is conducted by an independent internal control adviser. Appropriate remedial action plans are developed timely to rectify weaknesses and risks identified during the independent assessment.

Both results of internal and independent assessments are submitted to Audit Committee and the Board for evaluation on the effectiveness of risk management and internal control systems.

Timeline on completion of remedial actions and the responsible parties are provided in the remedial action plans. Follow-up on the remediation status is monitored by senior management of the Company.

# CORPORATE GOVERNANCE REPORT

## INSIDE INFORMATION CONTROL

To comply with its obligations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and the GEM Listing Rules, the Company has established an internal policy to govern the procedures and internal controls for the handling and dissemination of inside information with reference to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission.

To prohibit mishandling of inside information, the Group assigns the roles and responsibilities on handling and management of information with different nature to appropriate personnel. All employees are required to follow the code of conduct in staff handbook to prevent unauthorised use, discussion, sharing and disclosure of unpublished information. In addition, all Board members who are aware of or privy to inside information are bound by the code of conduct regarding securities transactions. Confidentiality of information is maintained through certain ways including dissemination of information to specified personnel on a need-to-know basis, entering into confidentiality agreements for significant negotiations or when it is necessary to provide inside information to external professional parties, and review of all presentation materials in advance before releasing to media and analysts.

The Group’s identification, analysis, review and reporting process of inside information are set up in the internal policy to guide the handling and dissemination of inside information. For any potential inside information which comes to the attention of one or more of its officer, it is escalated promptly, timely and on a structured flow to the Board for review and matching against the sensitivity list to decide and approve if it is inside information which requires disclosure. Inside information is disseminated to the public as soon as reasonably practicable in an equal and timely manner.

## ASSESSMENT ON EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has conducted an annual review on the continuous effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls for the year ended 31 March 2019. The Board is of the opinion that the Group’s risk management and internal control systems were adequate and effective after its annual review on the followings aspects:

- the result of the internal assessment conducted by employees and senior management of the Company;
- the internal audit report issued by the independent internal control adviser;
- the changes in the nature and extent of significant risks, and the Group’s ability to respond to changes in its business and the external environment;
- the scope and quality of management’s ongoing monitoring of risks and of the internal control systems;

# CORPORATE GOVERNANCE REPORT

- the extent and frequency of communication of monitoring results, which enables the Board, Audit Committee and Risk Management Committee to assess control of the Group and the effectiveness of risk management;
- the significant control failings or weaknesses that have been identified during the year, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
- the effectiveness of the Group's processes for financial reporting and compliance with the GEM Listing Rules; and
- the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

The Board has performed the annual review on the need for an internal audit function in the reporting period. In view of the fact that the business operation of the Group is not multinational, diversified and complicated, roles and responsibilities taken up by Risk Management Committee and the independent internal control adviser are considered appropriate and cost-effective to take the place of an internal audit function in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems.

## GENERAL MEETING

During the year ended 31 March 2019, the Company held an annual general meeting on 24 August 2018 (the "2018 AGM") and below is the attendance of each Director:

	<b>Attendance/ No. of Meeting</b>
<b>Executive Directors</b>	
Mr. Tang Sze Wo	1/1
Mr. Lai Yung Sang	1/1
<b>Independent non-executive Directors</b>	
Dr. Wong Kwok Yiu Chris	1/1
Mr. Wong Choi Chak	1/1
Mr. Leung Kim Hong	1/1

The 2018 AGM provided an ideal chance for communication between the Board and the Shareholders. The chairmen of the Board and the Audit Committee and the external auditors were all present at the 2018 AGM to answer Shareholders' inquiries.

# CORPORATE GOVERNANCE REPORT

## INVESTORS AND SHAREHOLDERS RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to Shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the general meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

### *Right to convene extraordinary general meeting*

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 58 of the Articles, one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

### *Procedures for proposing a person for election as a Director*

If a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director of the Company at a general meeting, he/she shall deposit a written notice (the "**Written Notice**") to the office of the branch share registrar of the Company in Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong), Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or the principal place of business of the Company in Hong Kong at Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

# CORPORATE GOVERNANCE REPORT

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected as a Director.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

## *Right to Put Enquiries to the Board*

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary with details as follows:

Address : Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon,  
Hong Kong  
Fax : 2473 3036  
Email : info@smcl.com.hk

## *Right to Put Forward Proposals at General Meetings*

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised). However, Shareholders who wish to propose resolutions may follow article 58 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 of the Articles are set out above.

In order to promote effective communication, the Company also maintains website ([www.smcl.com.hk](http://www.smcl.com.hk)) which includes the latest information relating to the Group and its businesses.

Share registration matters shall be handled for the Shareholders by the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong).

## **COMPANY SECRETARY**

The Company engages Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited and a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, which is an external service provider, as its company secretary. Her primary contact at the Company is Mr. Sek Wai Kit, senior accounting manager of the Company.

During the year ended 31 March 2019, Ms. Chau has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

## **SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS**

There were no significant changes in the constitutional documents of the Company for the year ended 31 March 2019.

# REPORT OF THE DIRECTORS

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

## **Corporate reorganisation and placing**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island (the “**Companies Law**”) on 31 May 2017. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company’s Shares have been listed on GEM since 12 February 2018.

## **Principal places of business**

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

## **Principal activities**

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

## **Business review**

A fair review of the Group’s business during the year is provided in the Management Discussion and Analysis section on pages 7 to 16 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the Risk Management and Internal Control Systems section on page 38 of the Corporate Governance Report in this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 29 to the consolidated financial statements. The Group does not have any significant events since the end of reporting period and as at the date of this annual report. A summary of the results and of the assets and liabilities of the Group’s Financial Highlights on page 5 of this annual report. In addition, discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Environmental, Social and Governance Report section on pages 67 to 81 of this annual report. The probable future business development of the Company is discussed in the paragraph headed “Prospect” in the Management Discussion and Analysis section on page 10 of this annual report.

# REPORT OF THE DIRECTORS

## Results

The results of the Group for the financial year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 89 of this annual report.

## Dividend

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

## Dividend policy

The Company has adopted a dividend policy (the “**Dividend Policy**”), details of which are disclosed as follows:

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value.

The Company does not have any pre-determined dividend payout ratio.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- operating and financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- taxation considerations;
- interim dividend paid, if any;
- capital requirements and expenditure plans;
- interests of Shareholders;
- statutory and regulatory restrictions;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

## REPORT OF THE DIRECTORS

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to Shareholders' approval.

The Company may declare and pay dividends by way of cash or by other means that the Board considers appropriate.

Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles.

### **Annual general meeting**

The forthcoming annual general meeting of the Company (the "**Annual General Meeting**") is scheduled to be held on 27 August 2019. A notice convening the Annual General Meeting will be issued and dispatched to Shareholders in due course.

The register of members of the Company will be closed from 22 August 2019 to 27 August 2019 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or before 10 July 2019: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4:30 p.m. on 21 August 2019.



# REPORT OF THE DIRECTORS

## Deed of non-competition

A deed of non-competition (the “**Deed of Non-competition**”) dated 24 January 2018 was entered into by Chrysler Investments Limited, a limited liability company incorporated in the British Virgin Islands (“**BVI**”), and Mr. Tang Sze Wo in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. Pursuant to the Deed of Non-competition, each controlling Shareholder of the Company (the “**Controlling Shareholder(s)**”) has undertaken to the Company (for itself and for the benefit of its subsidiaries) that with effect from the Listing Date and for so long as the Shares remain listed on the Stock Exchange and (i) our Controlling Shareholders individually or collectively with their close associates are, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Controlling Shareholder remains as our executive Director, each of our Controlling Shareholders shall, and shall procure that its/his respective close associates shall, except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Group or any business activities which the Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of customers, suppliers and staff of the Group;
- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Controlling Shareholders (including its/his close associates) and the Group, in particular, a transaction between any of the relevant Controlling Shareholders (including its/his close associates) and the Group; and
- (d) provide as soon as practicable upon our Company’s request a written confirmation in respect of compliance by it with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company’s annual report and all such information as may be reasonably requested by our Company for its review.

## REPORT OF THE DIRECTORS

In addition, each of our Controlling Shareholders hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of the Group (the “**Business Opportunity**”) is made available to it/him or its/his close associates (other than members of the Group), he/it will direct or procure the relevant close associate to direct such Business Opportunity to the Group with such required information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholders shall provide or procure its/ his close associates to provide all such reasonable assistance to enable the Group to secure the Business Opportunity. If he/it (or his/its close associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of the Group, he/it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of our Controlling Shareholders and their respective close associates (other than members of the Group) will pursue the Business Opportunity until the Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of the Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/ it will (i) provide to the Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition; and (ii) confirm to our Company on an annual basis as to whether he/it has complied with such undertakings.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or more of our Shares, or our Shares cease to be listed on GEM.

The independent non-executive Directors are responsible for reviewing, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-competition. During the year ended 31 March 2019, each Controlling Shareholder of the Company has made annual confirmation of compliance of the Deed of Non-competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-competition without any breach of the Deed of Non-competition.

### **Major customers and suppliers**

During the year ended 31 March 2019, the Group’s five largest customers accounted for approximately 97.0% of the revenue. The Group’s five largest suppliers accounted for approximately 35.8% of the total purchases for the year ended 31 March 2019. In addition, the Group’s largest customer accounted for approximately 58.2% of the revenue and the Group’s largest supplier accounted for approximately 9.3% of the total purchases for the year ended 31 March 2019.

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company’s share capital) had any interest in the Group’s customers and suppliers as disclosed above.

# REPORT OF THE DIRECTORS

## Reserves

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements respectively in this annual report.

## Distributable reserves

The Company's reserves available for distribution to shareholders as at 31 March 2019 represent the aggregate of share premium, other reserve and accumulated losses which amounted to approximately HK\$84.2 million (2018: HK\$85.8 million). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to Shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

## Investment property

As at 31 March 2019, the Group's investment property amounted to approximately HK\$14.3 million, representing approximately 17.1% of the Group's total non-current assets and approximately 5.4% of the Group's total assets. Management appointed an external valuer to determine the fair value of the Group's investment property.

Related disclosures are included in note 14 of the consolidated financial statements in this annual report.

## Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements in this annual report.

## Share capital

Details of movements in the share capital of the Company during the year ended 31 March 2019 are set out in note 23 to the consolidated financial statements in this annual report.

## Directors

During the year ended 31 March 2019 and up to the date of this annual report, the Directors were:

### Executive Directors

Mr. Tang Sze Wo (*Chairman*)

Mr. Lai Yung Sang

### Independent non-executive Directors

Dr. Wong Kwok Yiu Chris

Mr. Wong Choi Chak

Mr. Leung Kim Hong

# REPORT OF THE DIRECTORS

Further details of the Directors are set forth in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Mr. Tang Sze Wo and Mr. Lai Yung Sang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with article 84(1) of the Article.

## Directors’ service contracts

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Share option scheme

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the Shareholders of the Company passed on 24 January 2018 (the “**Share Option Scheme**”) and the terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### (a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our 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 on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

### (b) Who may join

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

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including executive, non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

## REPORT OF THE DIRECTORS

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering, being 40,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

## REPORT OF THE DIRECTORS

(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 Share Option Scheme and any other share option schemes of our 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 Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest 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.

## REPORT OF THE DIRECTORS

(f) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

(g) *Restrictions on the times of grant of options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules);

and ending on the date of actual publication of the results announcement.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(i) *Time of exercise of option and duration of the Share Option Scheme*

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

(j) *Performance target*

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.



## REPORT OF THE DIRECTORS

*(k) Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

*(l) Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

*(m) Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

*(n) Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

## REPORT OF THE DIRECTORS

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

## REPORT OF THE DIRECTORS

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to the paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to the paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of the Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

## REPORT OF THE DIRECTORS

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) *Cancellation of options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (h).

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of our Board*

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;

# REPORT OF THE DIRECTORS

- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
  - (iv) the commencement of dealings in the Shares on the Stock Exchange.
- (x) *Disclosure in annual and interim reports*  
Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

No share options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme since its adoption and there were no outstanding share options under the Share Option Scheme up to the date of this annual report.

## DISCLOSURE OF INTERESTS

### (a) **Interests and short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations**

As at 31 March 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and 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 or short positions which they 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 as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

#### (i) *Interests in the Company*

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of shares</b>
Mr. Tang Sze Wo ( <i>note</i> )	Interest in a controlled corporation	260,000,000 (long position)	65.0%

*Note:*

These shares are held by Chrysler Investments Limited, a company incorporated in the BVI and the entire share capital of which is held by Mr. Tang Sze Wo. Mr. Tang Sze Wo is deemed to be interested in these shares held by Chrysler Investments Limited under the SFO.

## REPORT OF THE DIRECTORS

(ii) *Interests in associated corporation(s) of the Company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Tang Sze Wo	Chrysler Investments Limited	Beneficial owner	1 (long position)	100%

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and 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/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules.

**(b) Interests and short positions of the substantial shareholders in the Shares and underlying Shares**

So far as the Directors are aware, as at 31 March 2019, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding in our Company</b>
Chrysler Investments Limited (Note 1)	Beneficial owner	260,000,000 (long position)	65%
Mr. Tang Siu Fung Calvin (Note 2)	Interest in a controlled corporation	40,000,000 (long position)	10%
Sigma Square Investment Management Limited (Note 2)	Interest in a controlled corporation	40,000,000 (long position)	10%
Altivo Ventures Limited (Note 2)	Beneficial owner	40,000,000 (long position)	10%

# REPORT OF THE DIRECTORS

Notes:

1. Chrysler Investments Limited is a company incorporate in the BVI and the entire share capital of which is held by Mr. Tang Sze Wo.
2. These Shares are held by Altivo Ventures Limited, a company incorporated in the BVI and the entire share capital of which is held by Sigma Square Investment Management Limited, a company incorporated in Hong Kong and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. Tang Sze Wo. Each of Sigma Square Investment Management Limited and Mr. Tang Siu Fung Calvin is deemed to be interested in these Shares held by Altivo Ventures Limited under the SFO.

Save as disclosed above, as at 31 March 2019, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

Save as disclosed in this annual report, at no time during the year ended 31 March 2019 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## **SUFFICIENCY OF PUBLIC FLOAT**

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the GEM Listing Rules up to the date of this annual report.

## **REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Details of the emoluments of the Directors and five individuals with the highest emoluments are set out in note 9 to the consolidated financial statements in this annual report. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2019.

## **DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE**

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2019.

# REPORT OF THE DIRECTORS

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2019.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the Controlling Shareholders had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2019.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2019 are set out in notes 20 and 21 to the consolidated financial statements in this annual report.

## RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 26 to the consolidated financial statements in this annual report.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak, Mr. Leung Kim Hong, a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and based on their confirmations, the Company considers all the independent non-executive Directors are independent.

## CONNECTED TRANSACTIONS

The related party transactions of the Company are set out in note 31 to the consolidated financial statements in this annual report. None of the related party transactions fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the relevant reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the Companies Law, being the jurisdiction in which the Company was incorporated.



# REPORT OF THE DIRECTORS

## TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in Shares.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2019, the Company did not redeem any of its Shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Shares.

## DONATIONS

During the year ended 31 March 2019 (31 March 2018: HK\$300,000), the Group did not have donation.

## DIRECTORS' INDEMNITIES

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which such Director shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty in his office. None of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of his office, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Each Shareholder agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

The Companies Law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

# REPORT OF THE DIRECTORS

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by the Company's compliance adviser, LY Capital Limited ("**LY Capital**"), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and LY Capital in 8 February 2018) as at the date of this annual report.

## **CORPORATE GOVERNANCE**

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 27 to 44 of this annual report.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group is set out in the section headed "Financial Highlights" on page 5 of this annual report.

## **EVENTS AFTER THE REPORTING PERIOD**

The Directors are not aware of any significant events since the end of the reporting period and as the date of this annual report.

## **AUDITOR**

The consolidated financial statements for the year ended 31 March 2019 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company. From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company's auditor.

# REPORT OF THE DIRECTORS

## CHANGES IN THE DIRECTORS' INFORMATION

The change in the information of Directors since the date of the Company's 2018 interim report is set out below:

1. Mr. Wong Choi Chak, an independent non-executive Director, resigned as an independent non-executive director of Keen Ocean International Holding Limited, a company listed on the Stock Exchange (stock code: 8070) on 14 March 2019.

Save for the above, there is no other change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

## OBLIGATIONS OF ON-GOING DISCLOSURE UNDER THE GEM LISTING RULES

The Company has no any other disclosure obligation under Rule 17.22, Rule 17.23 and Rule 17.24 of the GEM Listing Rules.

By order of the Board

**Tang Sze Wo**  
*Chairman*

Hong Kong, 18 June 2019

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

This Environmental, Social and Governance (“**ESG**”) Report discloses the policies and measures in relation to the environmental and social aspects, and the relevant key performance indicators (the “**KPIs**”) of the Group for the financial year ended 31 March 2019 in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) as set out in Appendix 20 to the GEM Listing Rules. For information regarding corporate governance, details are presented in the Corporate Governance Report of this annual report.

The Group principally engages in the business of civil engineering construction works in both public and private sectors in Hong Kong through its indirect wholly-owned subsidiary, Sheung Moon Construction Limited (“**Sheung Moon Construction**”). Having taking into account the main business activity of the Group, and the concerns and expectations of both internal and external stakeholders, the Group has identified certain material environmental and social issues for disclosure of the Group’s performance in Hong Kong.

## ENVIRONMENTAL PROTECTION

### Emission

The Group recognises that certain pollutions are inevitably arised from the civil engineering construction works. To minimise the environmental impacts, the Group is dedicated to protect the environment by enhancing means to mitigate emissions and promoting environmental awareness.

An environmental management system, which has been certified in compliance with the standard required under ISO 14001:2015, is adopted by the Group. The system is supported with a set of environmental management manual and policy, which specifies the workflow and measures for employees to follow on mitigation of air pollution, effluents and wastes, and noise control. Regular review on the adequacy of the existing system is conducted to enable the constant improvement in environmental sustainability.

### Air pollution

Air emissions of the Group are mainly nitrogen oxides (“**NOx**”), sulphur oxides (“**SOx**”) and particulate matter (“**PM**”) generated from vehicles owned by the Group and operating of generators and excavators, while greenhouse gas (“**GHG**”) emissions are mainly derived from (i) direct emissions from stationary combustion source of machinery such as electricity generator under scope 1A of Reporting Guidance on Environmental KPIs (the “**KPIs Reporting Guidance**”); (ii) direct emissions from mobile combustion source of the vehicles under scope 1B of the KPIs Reporting Guidance; and (iii) indirect emission from electricity consumed in office under scope 2 of the KPIs Reporting Guidance. Other indirect emissions under scope 3 of the KPIs Reporting Guidance are minimal comparatively and excluded from the disclosure in this ESG report. Details of the key performance data are shown in the section “Environmental Key Performance Data for the Reporting Period”.

To reduce air emissions and GHG emissions, relevant measures are employed for saving and efficient use of energy. Details of the initiatives implemented are stated in the section “Use of Resources”. Besides, the Group adopts the policy of treatment at source. For instance, ultra-low sulphur diesel is continuously used for operating generators and excavators to substantially reduced emissions from fuel combustion processes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL PROTECTION – continued

### Emission – continued

#### *Air pollution – continued*

Apart from the above-mentioned types of air emissions and GHG emissions, dust emission is one of the major sources of air pollutants. Certain site specific measures implemented by the Group to minimise impact brought by dust emission are described as follows:

- Water spraying is used when handling dusty materials, or when the construction activity or the working environment is probable to create dust. For example, during delivery of raw sand and aggregate, on the dust emitting surfaces of unpaved areas and construction areas, and when trucks passing through the access road.
- Heights from which materials are dropped are minimised to limit fugitive dust generation during loading/unloading.
- Speed limit signage is put up at appropriate locations to restrict the speed of vehicles.
- Vehicles transporting dusty materials are fitted with side and tailboards. The materials transported are properly covered.
- Washing facilities are provided at the exits from work areas for the usage of vehicles before leaving the site.

#### *Effluents*

Effluents are generated from the site discharge. The Group adopts the following measures to reduce the impact of discharge to the environment:

- Construction site run-off are directed into storm drains via adequately designed waste water treatment facilities such as sand traps and silt traps. Channels, earth bunds or sand bag barriers are provided on-site to properly direct storm water to the said facilities.
- Silt removal facilities, channels and manholes along roads and pedestrian walkways are properly maintained. Deposited silt and grit are removed regularly to ensure that these facilities are functioning at all times.
- Measures are taken to prevent the washing away of construction materials, soil, silt or debris into any drainage system and river channel. For example, manholes should be adequately covered.
- The Group installs sewage treatment facilities at construction site to collect sewage such as washing water of vehicle and rainy water for treatment in sedimentation tanks. The treated effluents are reused for water spraying and irrigation purposes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL PROTECTION – continued

### Emission – continued

#### Wastes

Construction and demolition (“C & D”) materials, both inert and non-inert, are the major wastes generated from the Group’s works. The Group strictly implements and monitors the trip ticket system for orderly disposal of C & D wastes to designated disposal facilities by trucks. However, since both reclamation sites and landfill space in Hong Kong for the disposal of C & D wastes are limited, the Group intends to handle the C & D wastes in a more environmentally responsible manner based on 3 strategies “reduce”, “reuse” and “recycle”. Certain means for achievement of the 3 strategies are mentioned below:

- Reduction of waste:
  - (i) Ordering materials at the right quantity, size and time; and
  - (ii) Proper storage and maintenance of materials to protect them from wastage. For example, plaster and cement are stored under cover to avoid getting damp.
- Reuse and recycle of waste:
  - (i) Proper sorting of inert C & D materials against non-inert C & D materials with signage. Inert materials with good quality are able to be recycled for use in construction project;
  - (ii) Utilise surplus materials through cross site transfer where possible; and
  - (iii) Search for availability of opportunities to use recycled C & D materials during the planning stage of project.

#### Noise

Some of the construction works are carried out in urban areas. In order to reduce the impact on the public’s daily life, works are undertaken in accordance with the permitted work hours as specified by the customers. Besides, unused equipment are required to be turned off. All equipment at site are properly maintained and are inspected before use to ensure compliance of permitted noise level. In addition, acoustic barriers are installed as appropriate.

During the reporting period, the Group has fully complied with all applicable environmental related laws and regulations, including Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), and Waste Disposal Ordinance (Chapter 358 of the Laws of Hong Kong). During the reporting period, the Group was not aware of material non-compliance issues related to environmental protection.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL PROTECTION – continued

### Use of Resources

Purchased electricity used in office, diesel oil used for generators and excavators, and water utilised at construction sites are the main resources consumed by the Group. There are no significant issues identified in sourcing water that is fit for purpose. The Group encourages the resources conservation through implementation of green management and promotion of saving and efficient use of resources. The relevant measures include:

- Engines of trucks and construction equipment such as generators and excavators are switched off during idling;
- Trucks and equipment are regularly inspected to ensure they are operating efficiently;
- C & D wastes are carried and delivered by trucks at maximum weight without overloading to reduce the frequency of delivery;
- Reminder label on energy and water saving is posted next to the electrical switch. For example, a label reminding the users to set temperature between 24 to 26 degree celsius is fixed next to the air-conditioning switch;
- Energy-efficient appliances such as refrigerators with Grade 1 energy label are used; and
- Effluents are treated and reused for water spraying and irrigation purposes at construction sites.

### The Environmental and Natural Resources

The Group's construction work generates certain emissions and impacts on the environment including air pollution, effluents, wastes, noise and impacts on the landscape. The Group strives to enforce the established policies and measures to mitigate the impacts on the environment and natural resources. In addition to the specific measures during the construction work and the usage of resources mentioned in the above sections, the Group believes that a better planning at both the corporate strategic planning stage and the construction project planning stage is of equal importance to protect the environment. The relevant measures are stated as follows:

- The Group's tendering strategy is to focus on tenders for civil engineering construction contracts which are related to the same project in which the Group has participated. The Group is able to mobilise the same workforce and equipment to carry out works at different construction sites in close proximity. Materials for construction sites nearby can be purchased in a batch and delivered at one time. As such, saving of resources such as diesel oil consumed on carrying the labour, equipment and materials to the construction sites, and electricity consumed on site office (if the construction sites nearby share one office) can be achieved.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL PROTECTION – continued

### The Environmental and Natural Resources – continued

- Consideration of environmental protection is embedded in the design and planning of construction works, including the construction methods adopted and the materials used. For instance, low waste construction designs and technologies such as adoption of lean construction, balanced cut and fill, and off-site prefabrication are adopted.
- Impact on landscape is assessed before execution of work. Tree protection zone is demarcated to protect the existing trees within the work boundary at the construction site. Opportunities and methods on transplanting of trees that need to be removed are also considered.

### Environmental Key Performance Data for the Reporting Period

#### Air Emissions Absolute Value (kg)

• NO <sub>x</sub>	4,519.63
• SO <sub>x</sub>	84.44
• PM	<u>335.87</u>

#### Greenhouse Gas Emissions Intensity (tonnes per million revenue)      Absolute Value (tonnes)

• CO <sub>2</sub> equivalent emissions under scope 1	41.02	13,743.88
• CO <sub>2</sub> equivalent emissions under scope 2	<u>0.04</u>	<u>13.18</u>
Total	<u>41.06</u>	<u>13,757.06</u>

#### Non-hazardous Waste Intensity (tonnes per million revenue)      Absolute Value (tonnes)

• Inert C & D waste	0.14	46.10
• Non-inert C & D waste	<u>1.94</u>	<u>649.40</u>
Total	<u>2.08</u>	<u>695.50</u>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL PROTECTION – continued

### The Environmental and Natural Resources – continued

Resources Consumption	Intensity (kwh'000 per million revenue)	Absolute Value (kwh'000)
Energy Consumption		
• Electricity	<b>0.07</b>	24.41
• Diesel oil used for generators and excavators	<b>54.54</b>	18,273.16
Total	<b>54.61</b>	18,297.57
	Intensity (cbm per million revenue)	Absolute Value (cbm)
Water Consumption	<b>241.77</b>	81,000

## SOCIAL COMMITMENT

### Employment and Labour Standards

Civil engineering construction industry is labour intensive, which generates demands for all kinds of labour force, including skilled labour, semi-skilled labour or unskilled labour. The Group believes that a well-established system on human resources management ("HRM") can assist the Group to manage every act of employment and labour practices fairly and impartially. As such, a set of policies and procedures in relation to HRM and staff handbook are formulated in accordance with the applicable laws and regulations such as Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

The Group adopts the equal employment opportunity policy which applies to the procedures relating to recruitment and promotion, termination and dismissal, and remuneration, compensation and benefits. Key element of the equal employment opportunity policy is that every act of employment is based on capabilities, qualifications, experiences and skills without discrimination with respect of race, nationality, religious belief, sex, age, marital status, disability or other characteristic protected by the applicable laws and regulations. The Group promotes a work environment free from discrimination as well as any form of harassment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **SOCIAL COMMITMENT – continued**

### **Employment and Labour Standards – continued**

During the recruitment process, personal information of candidates are strictly reviewed and verified. Any candidates with the age under 15 are rejected to conduct interview and refused to be employed by the Group.

Remuneration package of employees comprises of basic salaries, year-end incentives and other compensations such as compensation on a work-related injury. Mandatory provident fund contributions pursuant to Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are made for all eligible employees. Annual performance appraisal of every employee is carried out to evaluate individual work performance, contributions to the project or the Group's result as a whole for consideration of salary review and promotion. In addition to performance of employees, other factors such as demand and shortage of labour, and salary benchmark in the industry are also taken into consideration.

Employees are scheduled to work in normal working hours of business days, except for sit workers who are compensated for working overtime. Attendance of employees is recorded by using time clock, and reviewed by the management to avoid disputes with employees. Employees are entitled to holidays and leaves stipulated in employment contract including statutory holidays, annual leave, sick leave, maternity leave, paternity leave and work-related injury leave. Forced labour is prohibited under the Group's policy.

During the reporting period, the Group has strictly adhered to all applicable laws and regulations in relation to employment and labour practices, including Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Group was not aware of material non-compliance issues related to employment and labour practices, including child labour and forced labour.

### **Health and Safety**

Subject to the risk of exposing to a wide variety of OHS hazards at work in construction site, the Group endeavors to promote OHS awareness and create a safe and healthy workplace for its labour and subcontractors. The Group aims at minimizing the reported accidents, major accidents and fatal injuries at construction sites.

In accordance with the applicable laws and regulations in relation to OHS including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Group adopts an occupational health and safety management system, which has been certified in compliance with the standard required under OHSAS 18001:2007. OHS related roles and responsibilities of each position in the project team including project manager, site agent, safety supervisor and safety officer are clearly defined. In addition, details of OHS measures and procedures are clearly specified in the OHS manual and policy established. Certain significant OHS policies and measures are mentioned in the following:

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **SOCIAL COMMITMENT – continued**

### **Health and Safety – continued**

- OHS training: All workers should attend induction training which covers core topics including OHS policy and objectives, OHS plans and measures, relevant OHS regulations, use of personal protective equipment, emergency procedures and first aid facilities, soon after they commenced their work at site. Refresher induction course is normally provided at intervals of 6 months. Workers also require to attend regular tool box talks which covers the topics such as working at height and fire escape, as well as specific OHS training for potential high-risk activities. All employees and subcontractors working on site must complete the mandatory basic safety training course and possess the construction industry safety training certificate.
- Regular safety inspection: Various types of safety walk and inspection such as daily safety inspection, weekly daily safety inspection and after-holiday safety inspection are carried out to check the conformance with regulatory and other contractual requirements, and the effectiveness on implementation of operational control measures.
- OHS hazards analysis: During the OHS hazards analysis, activities with OHS hazards identified are categorised into different risk level under risk assessment process. According to the results of the risk assessment, risk control safety measures including method statements, in-house safety rules or safe working procedures, are developed. Sometimes, personal protective equipment such as safety helmets, belts and shoes, eyes and ears protectors, and respirators, are used to cope with the hazards.
- Emergency preparedness: Foreseeable emergency situations at site such as fire, explosion and electric shock are identified at the early stage of the project. The corresponding emergency responding procedures and recovery arrangements are established for employees to follow. Emergency drill and training are arranged on a regular basis to ensure proper handling of emergency situations and proper usage of emergency responding equipment including portable fire extinguishers and first-aid equipment.
- Accident investigation: Accident reporting and investigation procedures, as well as the procedures on making recommendation of corrective actions are in place to guide the employees to report an accident in a clear and unbiased manner with a whole picture, to conduct investigation thoroughly and analyse the root cause, and to formulate corrective action or preventive measures to avoid recurrence.

During the reporting period, all applicable laws and regulations with respect to OHS, including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), were adhered to by the Group. The Group was not aware of material non-compliances issues related to OHS.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **SOCIAL COMMITMENT – continued**

### **Development and Training**

Human capital is the most valuable assets which drives the business growth and long-term success of the Group. The Group places sufficient resources in provision of adequate training and development to employees to ensure that the Group's competent management and workforce are well-equipped with required skills, technical knowledge and capabilities.

Apart from the in-house training such as initial induction training, and regular training on OHS and environmental sustainability for site labour as mentioned under the section "Health and Safety", the Group also sponsors employees to attend training courses organized by external institutions in relation to construction supervision, advanced construction techniques, and technology and management.

### **Supply Chain Management**

While the main business operation of the Group is to undertake civil engineering construction works, the Group does not have qualified skilled workforce for certain components of civil engineering construction works such as rebar fixing work and formboard erecting works. These types of works are therefore subcontracted to the Group's subcontractors. On the other hand, the Group purchases construction materials such as concrete, reinforcement steel bars, precast concrete units, timbers and diesel fuel, and rent site equipment such as dump trucks, crane lorries and excavators from suppliers for undertaking the construction works.

In view of the fact that establishing and maintaining a responsible and high-standard supply chain is vital to the sustainability performance of the Group, procedures on managing both subcontractors and suppliers are well-developed. There are generally 2 stages on the assessment and management of subcontractors and suppliers: (i) initial assessment; and (ii) periodic and ongoing review and monitoring.

During initial assessment, a comprehensive set of assessment criteria are considered and analysed including background, reputation and resources of the potential subcontractor or supplier, experience, service quality and safety records of the potential subcontractor, and delivery timeliness and quality of materials or equipment provided by the potential supplier. All approved and qualified subcontractors and suppliers are included in the list of approved subcontractors and suppliers.

Performance evaluation of both suppliers and subcontractors are conducted at least annually. For subcontractors, periodic supervision on their performance, and compliance with relevant laws and regulations as well as the Group's internal standards of quality control, safety and environmental compliance are carried out through on-site inspection and monitoring of work progress. Subcontractors and suppliers who fail the periodic assessment are removed from the list of approved subcontractors and suppliers.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **SOCIAL COMMITMENT – continued**

### **Product Responsibility**

One of the primary focus of the Group is to maintain high quality of its construction work and protect its corporate reputation. It is always the Group's emphasis not to put the workers, subcontractors and the general public at risk. The Group achieves its objective by (i) establishing a management system conforming to quality management system standard (ISO 9001:2015), environmental management system standard (ISO 14001:2015) and occupational health and safety management standard (OHSAS 18001:2007); (ii) obtaining various approvals and certificates required for the Group's business operations including Certificate of Registration of General Building Contractor GBC 7/2004, Certificate of Registration of Specialist Contractor SC(SF) 11/2005 – (site formation works), and being admitted on probation on the Approved List for Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group A) (iii) forming a competent, skilled and experienced management and workforce team; (iv) investment in different types of site equipment to improve efficiency of site operation; (v) maintaining a stable, responsible and high-standard supply chain; (vi) developing or following site management plan which guide the implementation of waste management and OHS policy; and (vii) carrying out close monitoring and on-site supervision on the progress and quality of work.

The Group does not rely heavily on active marketing. Besides, in view of the business nature of the Group and the services provided, labelling and privacy matters are not applicable to the Group. As such, no relevant policies in relation to advertising, labelling and privacy are disclosed.

During the reporting period, the Group has strictly complied with applicable laws and regulations in relation to quality control, and health and safety, including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), and Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).

### **Anti-corruption**

The Group sets up a high business integrity and ethics in its corporate culture through the thorough communication with employees on the provisions of code of conduct, conflicts of interest, confidentiality and use of the Group's assets and information as set out in the employee handbook. Employees are encouraged to take part in the promotion of high ethical standards. In addition to abiding by the established code of conducts in employee handbook, employees are encouraged to raise awareness of identification of possible improprieties, and to voice out without fear of reprisals.

The Group provides clear guidance on the whistleblowing policy and procedures by defining the activities which constitute misconduct or malpractice, formulating the reporting procedures of allegation by the whistleblowers and the investigation procedures, and specifying the protection and support provided to the whistleblowers. Audit Committee has overall responsibility to ensure investigation procedures of suspect improprieties are properly conducted, and to protect the whistleblowers from being unfairly dismissed, victimised or punished.

During the reporting period, the Group has strictly adhered to the relevant laws and regulations in relation to corrupt practices, including Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Group was not aware of corruption issues including bribery, extortion, fraud and money laundering.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SOCIAL COMMITMENT – continued

### Community Investment

The Group understands that its support to the local communities is as important as its commitment to corporate profitability for long-term sustainability of the business. The Group is aware that the plan for community engagement in current reporting period was insufficient. Accordingly, no activity in relation to communities' interest was carried out. In the coming financial year, the Group is committed to deploy more resources in community investment planning and continuously seek opportunities to participate in charity and community activities including donations.

## INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE

The ESG Guide	Relevant Disclosure Section
<b>A. Environmental</b>	
<i>A1. Emissions</i>	
<u>General Disclosure</u>	“Environmental Protection – Emission” and “Environmental Protection – The Environmental and Natural Resources”
Information on:	
<ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul>	
relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1 The types of emissions and respective emissions data.	“Environmental Protection – Emission – Air pollution” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Emission – Air pollution” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Emission – Wastes” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.5 Description of measures to mitigate emissions and results achieved.	“Environmental Protection – Emission – Air pollution”
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	“Environmental Protection – Emission – Wastes”
<i>A2. Use of Resources</i>	
<u>General Disclosure</u>	“Environmental Protection – Use of Resources”
Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	“Environmental Protection – Use of Resources”
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	“Environmental Protection – Use of Resources”
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p><i>A3. The Environment and Natural Resources</i></p> <p><u>General Disclosure</u></p> <p>Policies on minimising the issuer’s significant impact on the environment and natural resources.</p> <p>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	<p>“Environmental Protection – The Environmental and Natural Resources”</p> <p>“Environmental Protection – The Environmental and Natural Resources”</p>
<p><b>B. Social</b></p> <p><i>Employment and Labour Practices</i></p> <p><i>B1. Employment</i></p> <p><u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<p>“Social Commitment – Employment and Labour Standards”</p>
<p><i>B2. Health and Safety</i></p> <p><u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<p>“Social Commitment – Health and Safety”</p>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p><i>B3. Development and Training</i> <u>General Disclosure</u></p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	"Social Commitment – Development and Training"
<p><i>B4. Labour Standards</i> <u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none"><li>(a) the policies; and</li><li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li></ul> <p>relating to preventing child and forced labour.</p>	"Social Commitment – Employment and Labour Standards"
<p><i>Operating Practices</i> <i>B5. Supply Chain Management</i> <u>General Disclosure</u></p> <p>Policies on managing environmental and social risks of the supply chain.</p>	"Social Commitment – Supply Chain Management"
<p><i>B6. Product Responsibility</i> <u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none"><li>(a) the policies; and</li><li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li></ul> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	"Social Commitment – Product Responsibility"

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p><i>B7. Anti-corruption</i></p> <p><u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	<p>“Social Commitment – Anti-corruption”</p>
<p><i>Community</i></p> <p>B8. Community Investment</p> <p><u>General Disclosure</u></p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.</p>	<p>“Social Commitment – Community Investment”</p>

*Note:* Recommended disclosures in relation to the KPIs of social aspects were not reported in this ESG Report.

# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

## TO THE SHAREHOLDERS OF SHEUNG MOON HOLDINGS LIMITED

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

### Opinion

We have audited the consolidated financial statements of Sheung Moon Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 89 to 165, 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 (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters

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

### Key audit matter

### How our audit addressed the key audit matter

#### ***Revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work***

We identified the recognition of revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work as a key audit matter due to the management's judgement and estimates involved in determining the progress and outcome of the construction project, particularly in estimating the total budget costs.

During the year ended 31 March 2019, the Group generated revenue of HK\$335,036,000 from civil engineering construction services. Contract assets and contract liabilities of HK\$74,283,000 and HK\$5,234,000, respectively, were recorded in the consolidated statement of financial position as at 31 March 2019.

Our procedures in relation to recognition of revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work included:

- Understanding management's process in estimation of the contract revenue, budget costs and determination of completion status of the civil engineering construction contracts;
- Checking the total contract value to the contracts and variation orders, if any, on a sample basis;
- Evaluating the reasonableness of estimated total contract costs by comparing the actual costs incurred to date against management's estimations and the actual profit margin of other similar projects, on a sample basis;

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters – continued

### Key audit matter

#### ***Revenue and direct costs from civil engineering construction contracts and contract assets/contract liabilities related to contract work – continued***

The Group recognised contract revenue and direct costs of civil engineering construction contracts by reference to the inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation at the end of the reporting period. As disclosed in note 4 to consolidated financial statements, the recognition of revenue, direct costs and contract assets/contract liabilities related to contract work relies on the management's estimation of the progress and outcome of the project, which involves the exercise of significant management judgement, particularly in estimating the total budget costs, which are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred and the profitability assessment of on-going civil engineering construction contracts. The actual outcome of contracts in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and cost to be recognised.

### How our audit addressed the key audit matter

- Evaluating the reasonableness of direct costs from civil engineering construction service recognised to date by checking to the supporting documents including the certificates and invoices issued by the major contractors/suppliers/vendors and their correspondences issued to evaluate progress of respective projects, on a sample basis, and discussing with the management of the Group to understand the status of respective civil engineering construction contracts;
- Evaluating the reasonableness of percentage of completion of civil engineering construction contracts in progress by comparing the percentage calculated based on costs incurred at the end of the reporting period against that calculated based on external surveyors' certifications, on a sample basis, and investigating any significant differences identified; and
- Assessing the appropriateness of the basis of deriving the contract assets/contract liabilities related to contract work by checking, on a sample basis, to the amount of costs incurred up to date, and progress billings to the external surveyors' certifications.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters – continued

### Key audit matter

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

We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

As at 31 March 2019, the Group's net trade receivables and contract assets amounting to approximately HK\$97,530,000 and HK\$74,283,000 respectively, which represented approximately 37% and 28% of total assets of the Group respectively, and approximately HK\$21,831,000 out of these trade receivables were past due.

As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of loss allowance for trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The assessment of the credit risk of trade receivables and contract assets involves high degree of estimation and uncertainty as the loss rates for debtors are assessed individually.

As disclosed in notes 2 and 29 to the consolidated financial statements, the Group's aggregate lifetime ECL on trade receivables and contract assets as at 1 April 2018 (date of initial application of Hong Kong Financial Reporting Standard 9 "Financial Instruments") and 31 March 2019 amounting to approximately HK\$153,000 and HK\$275,000 respectively.

### How our audit addressed the key audit matter

Our procedures in relation to impairment assessment of trade receivables and contract assets included:

- Understanding the process on how the management estimates the credit loss allowance for trade receivables and contract assets;
- Testing the accuracy of information used by the management to access ECL, including trade receivables ageing analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant invoices on progress payments of contract work; and
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 1 April 2018 and 31 March 2019, including the estimation of loss rates for debtors that are assessed individually.

# INDEPENDENT AUDITOR'S REPORT

## Other Information

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

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

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

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.



# INDEPENDENT AUDITOR'S REPORT

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued**

- 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 Lee Wing Cheong, Wilfred.

**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	5	<b>335,036</b>	246,194
Direct costs		<b>(293,093)</b>	(210,915)
Gross profit		<b>41,943</b>	35,279
Other income		<b>1,613</b>	2,122
Other gains and losses	6	<b>100</b>	216
Credit loss allowance for trade receivables and contract assets		<b>(122)</b>	–
Administrative expenses		<b>(11,433)</b>	(9,191)
Finance costs	7	<b>(2,358)</b>	(3,165)
Listing expenses		<b>–</b>	(11,827)
Profit before taxation	8	<b>29,743</b>	13,434
Taxation	10	<b>(4,980)</b>	(4,657)
Profit and total comprehensive income for the year attributable to owners of the Company		<b>24,763</b>	8,777
Earnings per share (HK cents per share)	12		
Basic		<b>6.19</b>	3.19
Diluted		<b>N/A</b>	3.19

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>48,357</b>	39,938
Investment property	14	<b>14,300</b>	14,200
Rental deposits		–	80
Pledged bank deposits	18	<b>21,122</b>	3,000
		<b>83,779</b>	57,218
<b>Current assets</b>			
Trade and other receivables	15	<b>101,108</b>	51,657
Amounts due from customers for contract work	16	–	50,049
Contract assets	17	<b>74,283</b>	–
Bank balances and cash	18	<b>6,411</b>	39,643
		<b>181,802</b>	141,349
<b>Current liabilities</b>			
Trade and other payables	19	<b>47,951</b>	43,113
Amounts due to customers for contract work	16	–	2,243
Contract liabilities	17	<b>5,234</b>	–
Tax payable		<b>2,815</b>	1,400
Bank borrowings	20	<b>53,984</b>	22,188
Obligations under finance leases	21	<b>7,637</b>	4,712
		<b>117,621</b>	73,656
Net current assets		<b>64,181</b>	67,693
Total assets less current liabilities		<b>147,960</b>	124,911

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Obligations under finance leases	21	7,149	10,136
Deferred taxation	22	5,898	4,472
		<u>13,047</u>	<u>14,608</u>
Net assets		<u>134,913</u>	<u>110,303</u>
Capital and reserves			
Share capital	23	4,000	4,000
Reserves		<u>130,913</u>	<u>106,303</u>
Total equity		<u>134,913</u>	<u>110,303</u>

The consolidated financial statements on pages 89 to 165 were approved and authorised for issue by the Board of Directors on 18 June 2019 and are signed on its behalf by:

**TANG SZE WO**  
DIRECTOR

**LAI YUNG SANG**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Retained profits HK\$'000	
At 1 April 2017	-	-	10,262	2,695	20,868	33,825
Profit and total comprehensive income for the year	-	-	-	-	8,777	8,777
Issue of shares of the Company (note 23(b))	-*	10,000	-	-	-	10,000
Issue of shares upon conversion of convertible loan notes of a subsidiary (note 23(c))	-*	13,479	-	-	-	13,479
Capitalisation Issue (note 23(d))	3,000	(3,000)	-	-	-	-
Issue of shares upon Listing (defined in note 23(e))	1,000	49,000	-	-	-	50,000
Transaction costs directly attributable to issue of shares upon Listing	-	(5,778)	-	-	-	(5,778)
At 31 March 2018	4,000	63,701	10,262	2,695	29,645	110,303
Adjustment on adoption of HKFRS 9 (note 2)	-	-	-	-	(153)	(153)
At 1 April 2018	4,000	63,701	10,262	2,695	29,492	110,150
Profit and total comprehensive income for the year	-	-	-	-	24,763	24,763
At 31 March 2019	4,000	63,701	10,262	2,695	54,255	134,913

\* Amount less than HK\$1,000.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

## Notes:

- (a) The other reserve of the Group represents the difference between the nominal amount of the share capital of Sheung Moon Construction Limited ("Sheung Moon Construction"), an indirect wholly-owned subsidiary of the Company, and the nominal amount of share capital of Attaway Developments Limited ("Attaway Developments"), a direct wholly-owned subsidiary of the Company.
  
- (b) During the year ended 31 March 2017, the use of property of the Group had been changed from owner-occupation to leasing out for rental income. The leasehold land and building with net book value of HK\$10,505,000 were transferred from property, plant and equipment to investment property at the date of the end of owner-occupation. Upon the change of intended use, the difference of HK\$2,695,000 between the net book value and the fair value of the property of HK\$13,200,000 was recognised in other comprehensive income and accumulated in "property revaluation reserve".

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>29,743</b>	13,434
Adjustments for:		
Depreciation on property, plant and equipment	<b>5,604</b>	3,473
Finance costs	<b>2,358</b>	3,165
Net remeasurement of credit loss allowance for trade receivables and contract assets	<b>122</b>	–
Bank interest income	<b>(122)</b>	–
Gain on fair value of investment property	<b>(100)</b>	(1,000)
Loss on disposal/written off of property, plant and equipment	–	3
Loss on fair value change of convertible loan notes	–	781
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>37,605</b>	19,856
Increase in trade and other receivables/rental deposits	<b>(65,088)</b>	(29,591)
Increase in contract assets	<b>(8,792)</b>	–
Decrease in contract liabilities	<b>(3,880)</b>	–
Changes in amounts due from/to customers for contract work, net	–	(33,248)
Increase in trade and other payables	<b>17,698</b>	20,518
	<hr/>	<hr/>
Cash used in operations	<b>(22,457)</b>	(22,465)
Hong Kong Profits Tax paid	<b>(2,139)</b>	(3,290)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(24,596)</b>	(25,755)
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(14,167)</b>	(7,576)
Placement of pledged bank deposits	<b>(18,122)</b>	(3,000)
Interest received	<b>122</b>	–
Proceeds from disposal of property, plant and equipment	–	24
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(32,167)</b>	(10,552)
	<hr/>	<hr/>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares upon Listing	–	50,000
Proceeds from issue of shares of the Company	–	10,000
New bank borrowings raised	<b>115,050</b>	26,866
Repayments of bank borrowings	<b>(83,254)</b>	(11,230)
Repayments of obligations under finance leases	<b>(5,282)</b>	(6,231)
Payment of transaction costs directly attributable to issue of shares upon Listing	<b>(625)</b>	(5,153)
Interests paid	<b>(2,358)</b>	(1,460)
	<u><b>23,531</b></u>	<u>62,792</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>23,531</b>	62,792
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(33,232)</b>	26,485
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>39,643</b>	13,158
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>6,411</b>	39,643



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 1. GENERAL

Sheung Moon Holdings Limited (the “Company”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 31 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as amended, consolidated or supplemented from time to time) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 February 2018. The address of the registered office and principal place of business are stated in the “Corporate Information” section of the annual report. The immediate holding company of the Company is Chrysler Investments Limited (“Chrysler Investments”), which is incorporated in the British Virgin Islands (“BVI”) and owned by Mr. Tang Sze Wo (“Mr. SW Tang”).

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of civil engineering construction service.

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the application of the 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**

#### ***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 provision of civil engineering construction services.

Income from leasing of investment property will continue to be accounted for in accordance with HKAS 17 “Leases”.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

# 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

#### HKFRS 15 “Revenue from Contracts with Customers” – continued

Summary of effects arising from initial application of HKFRS 15

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.

	Notes	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018* HK\$'000
<b>Current assets</b>				
Trade and other receivables	(a)	51,657	(15,594)	36,063
Amounts due from customers for contract work	(a)	50,049	(50,049)	–
Contract assets	(a)	–	65,643	65,643
<b>Current liabilities</b>				
Trade and other payables	(b)	43,113	(6,871)	36,242
Amounts due to customers for contract work	(b)	2,243	(2,243)	–
Contract liabilities	(b)	–	9,114	9,114

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) As at 1 April 2018, retention receivables of HK\$15,594,000 and amounts due from customers for contract work of approximately HK\$50,049,000 in respect of construction contracts previously included in trade and other receivables and amounts due from customers for contract work, respectively, were reclassified to contract assets.
- (b) As at 1 April 2018, advances from customers of approximately HK\$6,871,000 and amounts due to customers for contract work of HK\$2,243,000 in respect of construction contracts previously included in trade and other payables and amounts due to customers for contract work, respectively, were reclassified to contract liabilities.

# 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

#### HKFRS 15 “Revenue from Contracts with Customers” – continued

##### Summary of effects arising from initial application of HKFRS 15 – continued

The application of HKFRS 15 has had no material impact on the Group’s retained profits as at 1 April 2018 and the Group’s consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

The following tables summarise 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 flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

#### Impact on the consolidated statement of financial position

	Notes	As reported HK\$’000	Reclassification HK\$’000	Amounts without application of HKFRS 15 HK\$’000
<b>Current assets</b>				
Trade and other receivables	(a)	101,108	16,335	117,443
Amount due from customers for contact work	(a)	–	57,948	57,948
Contract assets	(a)	74,283	(74,283)	–
<b>Current liabilities</b>				
Trade and other payables	(b)	47,951	5,146	53,097
Amount due to customers for contact work	(b)	–	88	88
Contract liabilities	(b)	5,234	(5,234)	–

# 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**

### **HKFRS 15 “Revenue from Contracts with Customers” – continued**

*Summary of effects arising from initial application of HKFRS 15 – continued*

#### **Impact on the consolidated statement of cash flows**

		<b>As reported</b>	<b>Reclassification</b>	<b>Amounts without application of HKFRS 15</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>				
Increase in trade and other receivables/rental deposits	(a)	(65,088)	(741)	(65,829)
Increase in contract assets	(a)	(8,792)	8,792	–
Increase in trade and other payables	(b)	17,698	(1,725)	15,973
Changes in amounts due from/to customers for contract work, net	(a), (b)	–	(10,206)	(10,206)
Decrease in contract liabilities	(b)	(3,880)	3,880	–

*Notes:*

- (a) As at 31 March 2019, retention receivables of HK\$16,335,000 and unbilled revenue of HK\$57,948,000 in respect of construction contracts were classified as contract assets and the amounts shall remain as included in trade and other receivables and amount due from customers for contract work respectively without application of HKFRS 15.
- (b) As at 31 March 2019, advances from customers of HK\$5,146,000 and deferral income of HK\$88,000 in respect of construction contracts were classified as contract liabilities and the amounts shall remain as included in trade and other payables and amount due to customers for contract work respectively without application of HKFRS 15.

# 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**

#### ***HKFRS 9 “Financial Instruments”***

In the current year, 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 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 between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

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

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. There is no change in classification and measurement on the Group’s financial assets.

#### *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. ECL on trade receivables and contract assets have been assessed individually.

ECL for other financial assets at amortised cost, including other receivables and deposits, pledged bank deposits and bank balances are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of HK\$153,000 has been recognised against retained profits. The additional loss allowance is charged against the respective assets.

# 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

#### HKFRS 9 “Financial Instruments” – continued

##### Impairment under ECL model – continued

Loss allowances as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
At 31 March 2018			
– HKAS 39	–	–	–
Amount remeasured through opening retained profits	47	106	153
At 1 April 2018	47	106	153

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

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

	31 March 2018 (Audited) HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 April 2018 (Restated) HK\$'000
<b>Current assets</b>				
Trade and other receivables	51,657	(15,594)	(47)	36,016
Amount due from customers for contract work	50,049	(50,049)	–	–
Contract assets	–	65,643	(106)	65,537
<b>Current liabilities</b>				
Trade and other payables	43,113	(6,871)	–	36,242
Amounts due to customers for contract work	2,243	(2,243)	–	–
Contract liabilities	–	9,114	–	9,114
<b>Capital and reserves</b>				
Retained profits	29,645	–	(153)	29,492

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

# 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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

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

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

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

### **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 lease 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.



# 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 HKFRSs in issue but not yet effective – continued

#### ***HKFRS 16 “Leases” – continued***

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. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. 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 has non-cancellable operating lease commitments of HK\$512,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

# 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 HKFRSs in issue but not yet effective – continued**

#### ***HKFRS 16 “Leases” – continued***

In addition, the Group currently considers refundable rental deposits paid of HK\$123,000 as rights and obligations under leases 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 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 the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property that is measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 this 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 net realisable value in HKAS 2 "Inventories" or 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 and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 adopted are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Basis of consolidation

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

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

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

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

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

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

### 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 customer.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

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

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

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

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

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

# 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**

##### *Input method*

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

##### *Variable consideration*

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

# 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)

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from civil engineering construction contracts is based on the stage of completion at the end of the reporting period. The Group's policy for recognition of revenue civil engineering construction services is described in accounting policy for civil engineering service contracts below.

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

### Civil engineering construction contracts

Where the outcome of a civil engineering construction contract 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 proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. 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.

Where the outcome of a civil engineering construction contract 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 expense 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 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, as trade and other payables. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Taxation

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

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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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 assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Borrowing costs

All borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

### Retirement benefit costs

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

### Short-term employee benefits

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

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair values. All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment property and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted on for 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

### Leasing

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 lessor*

Rental income from operating leases is recognised in profit or loss on straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Leasing – continued

#### *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 an obligation under finance lease.

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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

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

#### *Leasehold land and building*

When the Group makes payments for a property interest which 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 entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire lease is generally classified as if the leasehold land is under finance lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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).

When it is not possible to estimate the recoverable amount of an asset individually, 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the 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 assets or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Financial assets

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial assets – continued

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

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

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

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

A financial asset is classified as held for trading if:

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial assets – continued

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

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

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

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

The Group recognises a loss allowance for ECL on financial assets (including trade receivables, other receivables and deposits, pledged bank deposits and bank balances) or contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – 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; and
- 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – 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 – continued*

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

##### *(ii) Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – 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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) 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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – 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*

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial assets – continued

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

Financial assets held by the Group 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 (see accounting policy on impairment loss on financial assets below).

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

#### ***Impairment of financial assets (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial assets – continued

#### *Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) – continued*

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 granted, 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial liabilities and equity instruments

#### *Classification as debt or equity*

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

#### *Equity instruments*

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

#### *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.

#### *Derecognition of financial liabilities*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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.

### Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Deferred taxation on an investment property*

For the purpose of measuring deferred tax liabilities arising from an investment property that is measured using the fair value model, the management of the Group has reviewed the investment property of the Group's subsidiary and concluded that the investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the management of the Group has determined that the "sale" presumption set out in HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the management of the Group does not expect to have tax consequence on disposal of the investment property.

### Key source of estimation uncertainty

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY – continued

### Key source of estimation uncertainty – continued

#### *Civil engineering construction contracts*

The recognition of revenue, direct costs and contract assets/contract liabilities related to contract work relies on the management's estimation of the progress and outcome of the construction project, which involves the exercise of significant management judgement, particularly in estimating the total budget costs.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each civil engineering construction contract as the contract progresses. Budget costs are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of civil engineering construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion of the relevant performance obligation using input method, which are determined on the basis of a number of estimates. This includes the profitability assessment of on-going civil engineering construction contracts. For more complex contracts, in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes of contracts in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and cost to be recognised in future years as an adjustment to the amounts recorded to date, as well as to the carrying amounts of contract assets/contract liabilities related to contract work.

As at 31 March 2019, the carrying amounts of contract assets and contract liabilities are HK\$74,283,000 and HK\$5,234,000, respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY – continued

### Key source of estimation uncertainty – continued

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

Before application of HKFRS 9 on 1 April 2018, the Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for doubtful debts is required, the Group takes into consideration of the settlement history and credit history, including default or delay in payments, and ageing analysis of the trade receivables. Following the identification of doubtful debts, the finance team discusses with the relevant customers and reports to the management on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected.

Upon application of HKFRS 9 in accordance with the transition in note 2, the management of the Group estimates the amount of loss allowance for trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The assessment of the credit risk of trade receivables and contract assets involves high degree of estimation uncertainty as it involves the determination of loss rates for debtors that are assessed individually. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 March 2019, the carrying amount of trade receivables and contract assets were HK\$97,530,000 and HK\$74,283,000 respectively (net of credit loss on trade receivables and contract assets allowance of HK\$123,000 and HK\$152,000 respectively).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5. REVENUE AND SEGMENT INFORMATION

### Revenue

Revenue represents the fair value of amounts received and receivable from the civil engineering construction services provided by the Group to external customers. The Group's revenue is solely derived from civil engineering construction services in Hong Kong during the year.

#### (i) Revenue from contracts with customers

Revenue from provision of civil engineering construction services during the year is analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Civil engineering construction contracts recognised over time	<u>335,036</u>	<u>246,194</u>

#### (ii) Performance obligations for contracts with customers

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

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. The contract assets are transferred to trade receivables when the rights become unconditional.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5. REVENUE AND SEGMENT INFORMATION – continued

### Revenue – continued

#### (ii) Performance obligations for contracts with customers – continued

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges 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.

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

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	<b>Civil engineering construction contracts HK\$'000</b>
Expected to be recognised within one year	<b>352,614</b>
Expected to be recognised over one year	<b>254,758</b>
	<b>607,372</b>

### Segment information

The executive directors of the Company, being the chief operating decision maker (“CODM”), regularly review revenue analysis by nature of business. The executive directors of the Company considered the operating activities of civil engineering construction services as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation and performance evaluation. Accordingly, no further analysis of this single operating segment is presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5. REVENUE AND SEGMENT INFORMATION – continued

### Segment information – continued

All of the Group's revenue from external customers and majority of the Group's non-current assets were generated from and physically located in Hong Kong during the years ended 31 March 2019 and 2018.

### Information about major customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	101,628	110,719
Customer B	<u>194,912</u>	<u>108,065</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 6. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fair value change of investment property	100	1,000
Loss on fair value change of convertible loan notes	–	(781)
Loss on disposal/written-off of property, plant and equipment	–	(3)
	<b>100</b>	<b>216</b>

## 7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
Bank borrowings	1,654	915
Finance leases	704	545
	<b>2,358</b>	<b>1,460</b>
Effective interest expense on convertible loan notes	–	1,705
	<b>2,358</b>	<b>3,165</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 8. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 9)	3,430	3,510
Other staff costs	94,784	61,234
Retirement benefit scheme contributions for other staff	3,655	2,336
Total staff costs	<b>101,869</b>	67,080
Auditor's remuneration	805	600
Depreciation on property, plant and equipment	5,604	3,473
Rental income from machineries (included in other income)	(861)	(1,922)
Bank interest income (included in other income)	(122)	-
Gross rental income from investment property (included in other income)	(395)	(164)
Less: direct operating expense incurred for investment property that generate rental income for the year	35	28
	<b>(360)</b>	(136)
Minimum lease payments under operating leases in respect of		
– rented premises	517	499
– site equipment	17,382	20,987
	<b>17,899</b>	21,486

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as director/employee of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the year are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payment HK\$'000 (note)	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
<b>2019</b>					
Executive directors:					
Mr. SW Tang	-	1,950	-	18	1,968
Lai Yung Sang ("Mr. Lai")	-	1,300	-	18	1,318
Independent non-executive directors:					
Wong Kwok Yiu Chris ("Dr. Wong")	48	-	-	-	48
Wong Choi Chak ("Mr. Wong")	48	-	-	-	48
Leung Kim Hong ("Mr. Leung")	48	-	-	-	48
	<b>144</b>	<b>3,250</b>	<b>-</b>	<b>36</b>	<b>3,430</b>
<b>2018</b>					
Executive directors:					
Mr. SW Tang	-	1,950	-	18	1,968
Mr. Lai	-	1,300	200	18	1,518
Independent non-executive directors:					
Dr. Wong	8	-	-	-	8
Mr. Wong	8	-	-	-	8
Mr. Leung	8	-	-	-	8
	<b>24</b>	<b>3,250</b>	<b>200</b>	<b>36</b>	<b>3,510</b>

Note: The performance related incentive payment is determined with reference to the Group's operating result and individual performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

### (i) Directors' and chief executive's emoluments – continued

Mr. SW Tang was appointed as a director of the Company on 31 May 2017 and Mr. Lai was appointed as a director of the Company on 12 July 2017.

Mr. SW Tang acts as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Dr. Wong, Mr. Wong and Mr. Leung were appointed as independent non-executive directors of the Company on 24 January 2018.

The executive directors' emoluments shown above were 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 were for their services as directors of the Company.

Neither the chief executive nor any of the directors waived any emoluments during the year.

### (ii) Information regarding employees' emoluments

For the year ended 31 March 2019, out of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company, whose emoluments are included in the disclosures above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Employees		
– Salaries and other benefits	2,269	2,000
– Retirement benefit scheme contributions	54	53
	<b>2,323</b>	<b>2,053</b>

The number of the highest paid employees who are not directors of the Company have their emoluments within the following band:

	Number of employees	
	2019	2018
Nil to HK\$1,000,000	3	3



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

### (ii) Information regarding employees' emoluments – continued

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. TAXATION

	2019 HK\$'000	2018 HK\$'000
Tax charge comprises:		
Hong Kong Profits Tax:		
Current tax	3,527	2,081
Underprovision in prior years	27	165
	<u>3,554</u>	<u>2,246</u>
Deferred taxation (note 22)	<u>1,426</u>	<u>2,411</u>
	<u><b>4,980</b></u>	<u><b>4,657</b></u>

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 of a subsidiary of the Group 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 10. TAXATION – continued

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation	<u>29,743</u>	<u>13,434</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	4,908	2,217
Tax effect of expenses not deductible for tax purposes	264	2,440
Tax effect of income not taxable for tax purposes	(54)	(165)
Effect of tax concession	(165)	–
Underprovision in prior years	<u>27</u>	<u>165</u>
Taxation for the year	<u>4,980</u>	<u>4,657</u>

## 11. DIVIDENDS

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 March 2019 (2018: nil).

## 12. EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Earnings</b>		
Profits for the year attributable to owners of the Company for the purposes of calculating basic earnings per share	24,763	8,777
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible loan notes	N/A	–
Loss on fair value change of convertible loan notes	N/A	–
Earnings for the purpose of diluted earnings per share	<u>N/A</u>	<u>8,777</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 12. EARNINGS PER SHARE – continued

	2019 '000	2018 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	400,000	275,245
Effect of dilutive potential ordinary shares on convertible loan notes	<u>N/A</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>N/A</u>	<u>275,245</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2018 had been determined on the assumption that the Group Reorganisation and the Capitalisation Issue as detailed in note 23 had been effective on 1 April 2017 and had been retrospectively adjusted for the deemed bonus element of the capital contribution relating to the shares of the Company issued to Chrysler Investments on 28 June 2017.

No diluted earnings per share for the year ended 31 March 2019 was presented as there were no potential ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2018 had not taken into account the effect of the potential ordinary shares on convertible loan notes as the assumed conversion would result in an increase in earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 April 2017	152	7,222	14,188	202	21,764
Additions	-	11,585	11,988	797	24,370
Disposals/written-off	-	(31)	-	-	(31)
At 31 March 2018	152	18,776	26,176	999	46,103
Additions	-	-	13,663	360	14,023
At 31 March 2019	152	18,776	39,839	1,359	60,126
<b>DEPRECIATION</b>					
At 1 April 2017	4	1,140	1,493	59	2,696
Provided for the year	46	1,315	1,982	130	3,473
Eliminated on disposals/written-off	-	(4)	-	-	(4)
At 31 March 2018	50	2,451	3,475	189	6,165
Provided for the year	46	1,990	3,237	331	5,604
At 31 March 2019	96	4,441	6,712	520	11,769
<b>CARRYING AMOUNTS</b>					
At 31 March 2019	56	14,335	33,127	839	48,357
At 31 March 2018	102	16,325	22,701	810	39,938

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 13. PROPERTY, PLANT AND EQUIPMENT – continued

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

Leasehold improvements	Over the lease terms
Motor vehicles	10% – 20%
Plant and machinery	10%
Office equipment, furniture and fixtures	20% – 30%

As at 31 March 2019, the net book values of motor vehicles include an amount of HK\$10,248,000 (2018: HK\$11,772,000), and net book values of plant and machinery include an amount of HK\$16,692,000 (2018: HK\$13,277,000) in respect of assets held under finance leases.

## 14. INVESTMENT PROPERTY

	<i>HK\$'000</i>
<b>FAIR VALUE</b>	
As at 1 April 2017	13,200
Fair value change during the year	<u>1,000</u>
As at 31 March 2018	14,200
Fair value change during the year	<u>100</u>
As at 31 March 2019	<u><u>14,300</u></u>

The investment property is situated in Hong Kong.

The Group's property interests held under operating leases to earn rentals for capital appreciation purposes are measured using the fair value and are classified and accounted as investment property.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 14. INVESTMENT PROPERTY – continued

The fair value of the Group's investment property as at 31 March 2019 and 2018 has been arrived at on the basis of a valuation carried out by CHFT Advisory and Appraisal Limited, independent qualified professional valuers not connected to the Group. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets.

In determining the fair value of the property, the directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors of the Company work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

In estimating the fair value of the investment property, the highest and best use of the property is its current use.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment property held by the Company	Fair value as at		Fair value hierarchy	Valuation technique and key input(s)
	31 March 2019 HK\$'000	31 March 2018 HK\$'000		
Commercial property in Hong Kong	14,300	14,200	Level 2	Direct comparison method based on the market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties

There were no transfers into or out of Level 2 during the year.

As at 31 March 2019 and 2018, the Group has pledged the investment property to secure general banking facilities granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables – gross carrying amount	<b>97,653</b>	33,743
Less: credit loss allowance	<b>(123)</b>	–
	<b>97,530</b>	33,743
Retention receivables*	–	15,594
Prepayments and deposits	<b>3,578</b>	2,320
	<b>101,108</b>	51,657

\* Retention receivables are recognised as contract assets upon application of HKFRS 15 as disclosed in note 2.

The Group allows credit period ranging from 30 to 45 days to its customers from the date of invoices on progress payments of contract work. The following is an ageing analysis of the trade receivables presented based on the customer's payment certificate date at the end of the reporting period, net of the credit loss allowance:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	<b>42,422</b>	15,669
31 – 60 days	<b>53,023</b>	17,624
61 – 90 days	<b>2,055</b>	–
91 – 180 days	<b>30</b>	450
	<b>97,530</b>	33,743

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$21,831,000 which are past due as at the reporting date but none of these overdue balances were past due over 90 days. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality, their qualifications and experience in the civil engineering construction industry. Credit limits attributable to customers are reviewed regularly. Approximately 99% of trade receivables of the Group as at the reporting date that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15. TRADE AND OTHER RECEIVABLES – continued

### Upon the application of HKFRS 9

#### *Trade receivables*

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Upon the application of HKFRS 9, loss allowances for trade receivables has been measured at an amount equal to lifetime ECL.

Details of the impairment assessment of trade receivables are set out in note 29.

#### *Other receivables*

For the purpose of impairment assessment of other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information starting from 1 April 2018. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. The Group performs impairment assessment under 12-month ECL model upon application of HKFRS 9 (2018: incurred loss model).

Details of impairment assessment of other receivables are set out in note 29.

### Before the application of HKFRS 9

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

As at 31 March 2018, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK\$450,000 which were past due at the reporting date, for which the Group had not provided for impairment loss as there had not been a significant change in credit quality of the trade receivables and the amounts were still considered recoverable. The Group did not hold any collateral over these balances.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15. TRADE AND OTHER RECEIVABLES – continued

### Before the application of HKFRS 9 – continued

The following is an ageing analysis of trade receivables which were past due but not impaired, at the end of the reporting period:

	2018 HK\$'000
Overdue by:	
61 – 90 days	<u>450</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not impaired as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no recognition of impairment is required.

Retention receivables represented retention monies withheld by customers of contract work, which are unsecured interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	2018 HK\$'000
On demand or within one year	8,245
After one year	<u>7,349</u>
	<u>15,594</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 16. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 HK\$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses	315,819
Less: Progress billings	<u>(268,013)</u>
Total	<u>47,806</u>
Analysed as:	
Amounts due from customers for contract work	50,049
Amounts due to customers for contract work	<u>(2,243)</u>
	<u>47,806</u>

## 17. CONTRACT ASSETS/CONTRACT LIABILITIES

	31 March 2019 HK\$'000	1 April 2018* HK\$'000
Contract assets:		
Unbilled revenue from construction services	57,948	50,049
Retention receivables	<u>16,335</u>	<u>15,594</u>
	<u>74,283</u>	<u>65,643</u>
Contract liabilities:		
Advances from customers	5,146	6,871
Deferred income from construction services	<u>88</u>	<u>2,243</u>
	<u>5,234</u>	<u>9,114</u>

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

The Group has rights to considerations from customers for the provision of civil engineering construction services. Contract assets arise when the Group has right to consideration for completion of civil engineering construction services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, the Group recognises a contract liability for such difference.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 17. CONTRACT ASSETS/CONTRACT LIABILITIES – continued

Contract assets and liabilities are classified as current assets and liabilities, as they are expected to be settled within the Group's normal operating cycle.

Retention receivables is unsecured and interest-free and represented the monies withheld by customers and recoverable after the completion of default liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, usually being 1 year from the date of completion of respective civil engineering construction services projects.

Part of the Group's contract assets are the retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts at the end of the reporting period as follows:

	2019 HK\$'000
On demand or within one year	1,489
After one year	14,846
	<u>16,335</u>

Typical payment terms which impact on the amount of advances from customers in contract liabilities recognised are as follows:

When the Group receives advances from customers to purchase construction materials, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the advances.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Advances from customers HK\$'000	Deferred income from construction services HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>6,871</u>	<u>2,243</u>

Details of the impairment assessment are set out in note 29.

The changes in contract assets and contract liabilities are mainly due to i) adjustments arising from changes in the measure of progress of contract work of ongoing and completed contracts, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 18. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits of HK\$21,122,000 (2018: HK\$3,000,000) represents bank deposits pledged to banks to secure bank borrowings of the Group amounting to HK\$38,597,000 (2018: HK\$10,161,000) as at 31 March 2019 which is expected to be recovered after one year and therefore classified as non-current assets. The pledged bank deposits carry fixed interest rate ranging from 0.25% to 1.60% (2018: at 0.01%) per annum as at 31 March 2019.

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.125% (2018: 0.001% to 0.01%) per annum as at 31 March 2019.

## 19. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	30,699	15,852
Retention payables	4,006	2,645
Accrued listing expenses	–	1,885
Accrued share issue cost	–	625
Accruals and other payables	1,188	1,253
Salaries payables	10,408	6,968
Advances from customers*	–	6,871
Payables for acquisition of property, plant and equipment	1,650	7,014
	<b>47,951</b>	<b>43,113</b>

\* Advances from customers are reclassified and recognised as contract liabilities upon application of HKFRS 15 on 1 April 2018.

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

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

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
0 – 30 days	26,324	7,515
31 – 60 days	1,364	1,306
61 – 90 days	788	–
Over 90 days	2,223	7,031
	<b>30,699</b>	<b>15,852</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 20. BANK BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured and variable-rate bank borrowings	53,203	21,191
Unsecured and fixed-rate bank borrowings	781	997
	<b>53,984</b>	<b>22,188</b>
The carrying amounts are repayable*:		
Within one year	41,544	10,227
More than one year but not exceeding two years	4,204	2,846
More than two years but not exceeding five years	6,459	7,074
More than five years	1,777	2,041
	<b>53,984</b>	<b>22,188</b>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements. However, as all bank borrowings contained a repayable on demand clause and therefore all of the Group's bank borrowings are classified as current liabilities.

The above variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate less a spread or Hong Kong Prime Rate plus a spread. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2019	2018
Effective interest rate per annum:		
Fixed-rate bank borrowings	<b>4.84%</b>	4.84%
Variable-rate bank borrowings	<b>2.94% to 4.88%</b>	2.84% to 4.00%

The secured bank borrowings are secured by the investment property owned by the Company as stated in note 14 and/or the pledged bank deposits as stated in note 18. As at 31 March 2019 and 2018, all bank borrowings of the Group are guaranteed by the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 21. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles and plant and machinery under finance leases with lease terms ranging from 3 to 5 years. Interest rates underlying the obligations under these finance leases are fixed ranging from 3.26% to 5.64% (2018: 3.26% to 6.48%) per annum as at 31 March 2019. These leases have terms of purchase option for the purchase of those leased assets at nominal amount.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amounts payable under finance leases:				
Within one year	8,162	5,316	7,637	4,712
More than one year but within two years	3,567	4,062	3,318	3,652
More than two years but within five years	3,968	6,821	3,831	6,484
	<b>15,697</b>	16,199	<b>14,786</b>	14,848
Less: Future finance charges	(911)	(1,351)	N/A	N/A
Present value of lease obligations	<b>14,786</b>	14,848	<b>14,786</b>	14,848
Less: Amounts due for settlement within one year (shown under current liabilities)			(7,637)	(4,712)
Amounts due for settlement after one year (shown under non-current liabilities)			<b>7,149</b>	10,136

The Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and plant and machinery as disclosed in note 13.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 22. DEFERRED TAXATION

The followings are the deferred tax liability recognised and movements thereon during the current and prior years:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 April 2017	2,061
Charge to profit or loss (note 10)	<u>2,411</u>
At 31 March 2018	4,472
Charge to profit or loss (note 10)	<u>1,426</u>
At 31 March 2019	<u><u>5,898</u></u>

## 23. SHARE CAPITAL

The share capital shown in the consolidated financial statements as at 1 April 2017 represented the issued share capital of Attaway Developments. The share capital as at 31 March 2018 and 2019 represents the issued share capital of the Company with details as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 May 2017 (date of incorporation)	38,000,000	380
Increase on 24 January 2018 (note d)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2018 and 2019	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
At 31 May 2017 (date of incorporation) (note a)	1	–
Issue of shares upon group reorganisation (note b)	21,999	–
Issue of shares on capital injection (note b)	4,000	–
Conversion of convertible loan notes (note c)	4,000	–
Issue of shares on Capitalisation Issue (note d)	299,970,000	3,000
Issue of shares upon Listing (note e)	<u>100,000,000</u>	<u>1,000</u>
At 31 March 2018 and 2019	<u><u>400,000,000</u></u>	<u><u>4,000</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 23. SHARE CAPITAL – continued

Notes:

- (a) On 31 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each with one share allotted and issued to the initial subscriber at par. On 31 May 2017, the initial subscriber transferred his one share to Chrysler Investments at par.
- (b) On 28 June 2017, through the group reorganisation, 21,999 ordinary shares were allotted, issued and credit as fully paid up by the Company. On the same date, the Company allotted and issued 4,000 ordinary shares to Chrysler Investments at cash consideration of HK\$10,000,000.
- (c) On 23 January 2018, pursuant to the Investment Agreement and as nominated by Sigma Square Investment Management Limited (“Sigma Square”), the Company allotted and issued 4,000 ordinary shares to Altivo Ventures Limited, being a wholly-owned subsidiary of Sigma Square, upon the conversion of convertible loan notes.
- (d) Pursuant to the written resolutions passed by the shareholders on 24 January 2018, the authorised share capital of the Company increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 ordinary shares of HK\$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares. Pursuant to the same written resolutions, upon completion of the public offer of the shares of the Company, on 12 February 2018, the Company was authorised to capitalise a sum of HK\$2,999,700 standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 299,970,000 ordinary shares of the Company (the “Capitalisation Issue”).
- (e) In connection with the listing of the shares of the Company on GEM of the Stock Exchange on 12 February 2018 (the “Listing”), the Company allotted and issued a total of 100,000,000 ordinary shares at HK\$0.50 per share for an aggregate consideration of HK\$50,000,000.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 24. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	<b>512</b>	581
In the second to fifth year inclusive	–	398
	<b>512</b>	979

Operating lease payments represent rentals payable by the Group for office premises. Leases and fixed rentals are negotiated for one to three years.

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	<b>230</b>	395
In the second to fifth year inclusive	–	230
	<b>230</b>	625

The Group's investment property is held for rental purposes. The property held has committed tenant for periods of up to three years.

## 25. NON-CASH TRANSACTION

During the year ended 31 March 2019, the Group entered into finance leases in respect of motor vehicles and plant and machinery with total value of HK\$5,220,000 (2018: HK\$10,260,000) at the inception of the finance leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 26. RETIREMENT BENEFIT SCHEME

The Group participates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the scheme by the Group to staff employees and directors of the Company are disclosed in notes 8 and 9, respectively.

## 27. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 24 January 2018 for the primary purpose of providing incentives to directors and eligible employees. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years. Details of the Scheme are set out in the section headed "Share Option Scheme" of the report of the directors in the annual report of the Company for the year ended 31 March 2019.

No share options were granted, exercised, cancelled or lapsed under the Scheme during both years nor outstanding as at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners 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 finance leases, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts or the redemption of existing debts.

## 29. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Amortised cost	125,755	N/A
Loans and receivables (including cash and cash equivalents)	N/A	91,980
Financial liabilities		
Amortised cost	90,473	47,966

### Financial risk management objectives and policies

The Group's consolidated financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29. FINANCIAL INSTRUMENTS – continued

### Financial risk management objectives and policies – continued

#### *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 20 for details of the bank borrowings). The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, bank borrowings and obligations under finance leases.

The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HK\$ Best Lending Rate or Hong Kong Prime Rate arising from the Group's variable-rate bank borrowings.

#### *Sensitivity analysis*

The directors of the Company consider the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year and 50 basis points increase or decrease are used.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would decrease/increase by approximately HK\$222,000 (2018: HK\$88,000).

#### *Credit risk and impairment assessment*

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, pledge bank deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period. As at 31 March 2019, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29. FINANCIAL INSTRUMENTS – continued

### Financial risk management objectives and policies – continued

#### ***Credit risk and impairment assessment – continued***

##### *Trade receivables and contract assets*

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. Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating attributed to customers are reviewed every year. 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 debtors individually. Before application of HKFRS 9, the Group performs impairment assessment under incurred loss model on debtors. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. The Group's largest debtor contributed approximately 77% (2018: 54%) of the Group's trade receivables and 59% of the Group's contract assets (2018: 54% of the Group's amount due from customers for contract work), respectively. The Group's five largest debtors contributed approximately 99% (2018: 98%) of the Group's trade receivables and 94% of the Group's contract assets (2018: 99% of the Group's amount due from customers for contract work), respectively.

##### *Other receivables and deposits*

For other receivables and deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 April 2018. The management of the Group believes that there is no material credit risk inherent in the Group's other receivables.

##### *Pledged bank deposits and bank balances*

The credit risk on pledged bank deposits and bank balances of the Group is limited because the counterparties are banks with good reputation and no history of default in the past and no loss allowance provision for pledged bank deposits and bank balances was recognised upon application of HKFRS 9. The Group has limited exposure to any single financial institution.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29. FINANCIAL INSTRUMENTS – continued

### Financial risk management objectives and policies – continued

#### Credit risk and impairment assessment – continued

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

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12 m ECL – not credit-impaired
Medium	Debtor regularly repays on time but sometimes settle after due date	Lifetime ECL – not credit-impaired	12 m ECL – not credit-impaired
High	There have been significant increase 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
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery of debtors over two years after due date	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

### 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 at amortised cost and contract assets, which are subject to ECL assessment:

As at 31 March 2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables	15	N/A	Note a	Lifetime ECL (individual assessment)	97,653
Other receivables and deposits	15	N/A	Note b	12m ECL	692
Pledged bank deposits	18	Aa3 to A1	N/A	12m ECL	21,122
Bank balances	18	Aa3 to Baa2	N/A	12m ECL	6,411
<b>Other item</b>					
Contract assets	17	N/A	Note a	Lifetime ECL (individual assessment)	74,435

Notes:

- 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 expected credit losses on these items on an individual basis.
- 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. All of these balances are not past due at 31 March 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29. FINANCIAL INSTRUMENTS – continued

### Financial risk management objectives and policies – continued

#### Credit risk and impairment assessment – continued

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its civil engineering construction services operation. The lifetime ECL on trade receivables and contract assets are assessed individually with credit loss rates ranging from 0.25% to 1.33%.

During the year ended 31 March 2019, the Group provided HK\$76,000 and HK\$46,000 credit loss allowance for trade receivables and contract assets respectively.

The following table shows the movement in lifetime ECL (not credit-impaired) that has been recognised for trade receivables and contract assets under the simplified approach.

	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
As at 31 March 2018 under HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	<b>47</b>	<b>106</b>	<b>153</b>
As at 1 April 2018 – As restated	<b>47</b>	<b>106</b>	<b>153</b>
Impairment losses reversed	<b>(47)</b>	<b>(106)</b>	<b>(153)</b>
Impairment losses recognised	<b>123</b>	<b>152</b>	<b>275</b>
As at 31 March 2019	<b>123</b>	<b>152</b>	<b>275</b>

Change in credit loss allowance for trade receivables and contract assets during the year ended 31 March 2019 are mainly due to the settlement of trade debtor and conversion of contract assets brought forward from 1 April 2018 to trade receivables and its subsequent settlement and impairment allowance recognised for new trade receivables and contract assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29. FINANCIAL INSTRUMENTS – continued

### Financial risk management objectives and policies – continued

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings and ensure compliances with loan covenants.

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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

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

### Financial risk management objectives and policies – continued

#### Liquidity risk – continued

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 March 2019</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	N/A	36,489	–	–	36,489	36,489
Bank borrowings	4.13	53,984	–	–	53,984	53,984
Obligations under finance leases	4.32	8,162	3,567	3,968	15,697	14,786
		<u>98,635</u>	<u>3,567</u>	<u>3,968</u>	<u>104,370</u>	<u>105,259</u>
<b>31 March 2018</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	N/A	25,778	–	–	25,778	25,778
Bank borrowings	3.78	22,188	–	–	22,188	22,188
Obligations under finance leases	4.55	5,316	4,062	6,821	16,199	14,848
		<u>53,282</u>	<u>4,062</u>	<u>6,821</u>	<u>64,165</u>	<u>62,814</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29. FINANCIAL INSTRUMENTS – continued

### Financial risk management objectives and policies – continued

#### Liquidity risk – continued

Bank borrowings with a repayment on demand clause are included in the “On demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amount of these bank borrowings is approximately HK\$53,984,000 (2018: HK\$22,188,000). 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 of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flow information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:							
31 March 2019	4.13	42,122	4,611	6,898	1,937	55,568	53,984
31 March 2018	3.78	10,782	3,240	7,643	2,245	23,910	22,188

#### Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

#### **Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

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

The fair value of the financial assets and liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing model based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 30. MOVEMENT ON GROUP'S 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.

	Accrued share issue cost <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Convertible loan notes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	–	6,552	10,819	10,993	28,364
Financing cash flows	(5,153)	14,721	(6,776)	–	2,792
Issue cost accrued	5,778	–	–	–	5,778
Purchase of property, plant and equipment through finance leases	–	–	10,260	–	10,260
Issue of shares upon conversion of convertible loan notes	–	–	–	(13,479)	(13,479)
Loss on fair value change	–	–	–	781	781
Finance costs recognised	–	915	545	1,705	3,165
At 31 March 2018	625	22,188	14,848	–	37,661
Financing cash flows	(625)	30,142	(5,986)	–	23,531
Purchase of property, plant and equipment through finance leases	–	–	5,220	–	5,220
Finance costs recognised	–	1,654	704	–	2,358
At 31 March 2019	–	53,984	14,786	–	68,770

## 31. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the years ended 31 March 2019 and 2018, which is disclosed in note 9 to the consolidated financial statements.

## 32. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings and obligations under finance leases were secured by the following assets:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Investment property	14,300	14,200
Property, plant and equipment	26,940	25,049
Bank deposits	21,122	3,000
	<b>62,362</b>	<b>42,249</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets		
Investment in a subsidiary	48,304	48,304
Loan to a subsidiary	9,300	9,567
Amount due from a subsidiary	12,600	–
Pledged bank deposit	10,088	–
	<u>80,292</u>	<u>57,871</u>
Current assets		
Amounts due from subsidiaries	7,936	12,599
Bank balances	301	22,191
	<u>8,237</u>	<u>34,790</u>
Current liabilities		
Other payables	220	2,736
Amount due to a subsidiary	116	136
	<u>336</u>	<u>2,872</u>
Net current assets	<u>7,901</u>	<u>31,918</u>
Net assets	<u>88,193</u>	<u>89,789</u>
Capital and reserves		
Share capital (note 23)	4,000	4,000
Reserves (note)	84,193	85,789
Total equity	<u>88,193</u>	<u>89,789</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

Movement of the Company's reserves is as follow:

	Share premium HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 May 2017 (date of incorporation)	-	-	-	-
Loss and total comprehensive expense for the period	-	-	(11,737)	(11,737)
Effect of group reorganisation	-	33,825	-	33,825
Issue of shares of the Company	10,000	-	-	10,000
Issue of shares upon conversion of convertible loan notes	13,479	-	-	13,479
Capitalisation Issue	(3,000)	-	-	(3,000)
Issue of shares upon Listing	49,000	-	-	49,000
Transaction cost directly attributable to issue of shares upon Listing	(5,778)	-	-	(5,778)
At 31 March 2018	63,701	33,825	(11,737)	85,789
Loss and total comprehensive expense for the year	-	-	(1,596)	(1,596)
At 31 March 2019	63,701	33,825	(13,333)	84,193

## 34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2019	2018	
Attaway Developments*	BVI	Hong Kong	US\$100	100%	100%	Investment holding
Sheung Moon Construction#	Hong Kong	Hong Kong	HK\$10,261,620	100%	100%	Civil engineering construction business in Hong Kong
Sheung Moon Properties Limited#	Hong Kong	Hong Kong	HK\$1,000	100% (Note)	N/A	Inactive

\* Directly held by the Company.

# Indirectly held by the Company.

Note: This company was incorporated by the Group during the year ended 31 March 2019.

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

# SUMMARY OF MAJOR PROPERTY

As at 31 March 2019

## INVESTMENT PROPERTY HELD FOR RENTAL PURPOSES

<b>Descriptions</b>	<b>Gross floor area (sq.ft.)</b>	<b>Nature of property</b>	<b>Attributable interest of the Group</b>	<b>Category of lease</b>
Unit 1, 19/F., Global Gateway Tower 63 Wing Hong Street Cheung Sha Wan Kowloon Hong Kong	1,430	Commercial	100%	Medium-term Lease