

WAC Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8619



2019

ANNUAL REPORT



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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 collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Chan Yin Nin (*Chairman*)
Mr. Kwong Po Lam (*Managing Director*)
Ms. Su Xiaoyan

Independent Non-Executive Directors

Ms. Chu Moune Tsi, Stella
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. Sze Kyran, *MH*

COMPANY SECRETARY

Mr. Chan Kwok Wai

COMPLIANCE OFFICER

Dr. Chan Yin Nin

AUTHORISED REPRESENTATIVES

Dr. Chan Yin Nin
Mr. Chan Kwok Wai

AUDIT COMMITTEE

Ms. Chu Moune Tsi, Stella (*Chairlady*)
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. Sze Kyran, *MH*

REMUNERATION COMMITTEE

Mr. Sze Kyran, *MH* (*Chairman*)
Ms. Chu Moune Tsi, Stella
Mr. Choy Wai Shek, Raymond, *MH, JP*
Dr. Chan Yin Nin
Mr. Kwong Po Lam

NOMINATION COMMITTEE

Mr. Choy Wai Shek, Raymond, *MH, JP*
(*Chairman*)
Ms. Chu Moune Tsi, Stella
Mr. Sze Kyran, *MH*
Dr. Chan Yin Nin
Mr. Kwong Po Lam

COMPLIANCE ADVISER

Ample Capital Limited

AUDITOR

Wellink CPA Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Floor 9
9 Wing Hong Street
Cheung Sha Wan
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(which will be relocated to
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
with effect from 11 July 2019)

PRINCIPAL BANKERS

CMB Wing Lung Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

WEBSITE ADDRESS

www.wcce.hk

PLACE OF LISTING

GEM of The Stock Exchange

STOCK CODE

8619

Chairman's Statement

Dear Shareholders,

Our behalf of the Board of WAC Holdings Limited, I would like to present to our Shareholders the first annual report of the Group for the year ended 31 March 2019 since its listing on GEM of the Stock Exchange.

GENERAL OVERVIEW

The Shares were successfully listed on GEM on the Listing Date. The Listing is an important milestone in our Group's history as it not only enhanced our corporate image, but also helped us to establish better recognition in the industry, broaden our client base, cope with our business development and provide the Group with additional working capital for expansion of our operations.

FUTURE PROSPECTS

It was a challenging year for the year ended 31 March 2019. During the year, the Group has gone through competitive tendering process for both public and private customers in order to secure new contracts.

Looking ahead, although the global economy remains uncertain, the Group remains positive that the demand in construction industry in Hong Kong will continue to grow. The outlook for the construction engineering consultancy industry in Hong Kong remains optimistic. Despite the fact that the competition of the market will be continue to be intense, the Group will continue to focus on our existing businesses based on the assumption that we can recruit enough competent professional staff to join us and maintain our reputation in this industry. Meanwhile, the Group would explore new business opportunities and recruit competent professional staff to develop the business in order to maximise returns to our Shareholders in the long run.

ACKNOWLEDGMENT

The achievements made this year required incredible drive and focus by the entire staff team of the Group. On behalf of the Board, we would like to thank all our staff for their hard work and dedication. We would also like to thank all our stakeholders, Shareholders and business partners for their trust and confidence. Last but not least, we would like to thank our customers for their continued support as we embark upon this new era of life as a GEM listed company.

Dr. Chan Yin Nin

Chairman

Hong Kong, 24 June 2019

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is a construction engineering consultant focusing on the area of comprehensive structural and geotechnical engineering which is mainly provided in Hong Kong. The Group's consultancy services mainly cover: (i) structural engineering; (ii) geotechnical engineering; (iii) certain civil engineering practice areas; and (iv) material engineering.

For structural engineering, it involves loading calculation and stress designs. For geotechnical engineering, it involves calculation of earth surface conditions and assessment of risks posed by site conditions. For certain civil engineering practice areas, it involves infrastructure works (such as drainage). For material engineering, it involves analysing the use of and selecting building materials in construction projects. We also provide some other related services such as Registered Structural Engineers and Authorized Persons work in relation to alterations and additions works and expert services from time to time as requested by our clients.

During the year ended 31 March 2019, the Group recorded a decrease in revenue of approximately 6.5% to approximately HK\$64.6 million from approximately HK\$69.1 million for the preceding financial year. The decrease was mainly driven by the decrease of revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties. The Group was focusing on developing business opportunities from existing clients and was looking for increasing the types of consultancy services to be provided to various clients.

Looking forward, although the global economy remains uncertain and market competition is intense, the Directors consider that the expediting and increasing supply of land for residential development is one of the key industrial drivers of the construction engineering consultancy in Hong Kong as well as factors affecting the labour costs and private office rental expenses. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the construction engineering consultancy industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more consultancy engineering service contracts by utilising the net proceeds from the Share Offer to implement our business plans as set out in the Prospectus.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased from approximately HK\$69.1 million for the year ended 31 March 2018 to approximately HK\$64.6 million for the year ended 31 March 2019, representing a decrease of approximately 6.5%. Such decrease was mainly due to (i) decrease in average revenue contributed per project for the year ended 31 March 2019 than the preceding financial year; and (ii) decrease of revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties. The market competition intensified as our competitors offered their services at lower prices.

Management Discussion and Analysis

Cost of Services

The cost of services increased from approximately HK\$38.6 million for the year ended 31 March 2018 to approximately HK\$40.8 million for the year ended 31 March 2019, representing an increase of approximately 5.7%. Such increase was mainly attributable to (i) increase in the subconsulting charges incurred for the projects that required subconsulting services undertaken by the Group; and (ii) increase in staff costs included in cost of services during the year ended 31 March 2019.

Gross Profit

Gross profit of the Group decreased by approximately HK\$6.7 million or 21.9% from approximately HK\$30.5 million for the year ended 31 March 2018 to approximately HK\$23.8 million for the year ended 31 March 2019. The decrease was mainly caused by the decrease in revenue and increase in subconsulting charges for the year ended 31 March 2019 as discussed above, with staff costs for professional staff handling our projects remained relatively stable for both years, accounting for approximately 91.4% and 94.9% of the cost of services for the year ended 31 March 2019 and 2018 respectively. The overall gross profit margin decreased from approximately 44.1% for the year ended 31 March 2018 to approximately 36.8% for the year ended 31 March 2019 as the revenue contributed by projects with high gross margin was lower for the year ended 31 March 2019 than the corresponding period in 2018.

General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$4.3 million or 30.3% from approximately HK\$14.1 million for the year ended 31 March 2018 to approximately HK\$18.4 million for the year ended 31 March 2019. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, staff training and welfare, travelling expenses, depreciation, legal and professional fees, and rent and rates. Such increase was mainly attributable to the (i) annual salary increment and increase in staff overtime working hours expenses; and (ii) increase in legal and professional expenses after the Listing.

Listing Expenses

During the years ended 31 March 2019 and 2018, the Group recognised non-recurring listing expenses in connection with the Listing of approximately HK\$5.4 million and HK\$11.0 million respectively, representing a decrease of approximately HK\$5.6 million.

Finance Costs

The Group's finance costs mainly comprised interest expenses on bank borrowings. Finance cost of the Group decreased by approximately HK\$0.2 million or 52.0% from approximately HK\$0.3 million for the year ended 31 March 2018 to approximately HK\$0.1 million for the year ended 31 March 2019. It was mainly due to full repayment of all outstanding loan balances during the year ended 31 March 2019.

Management Discussion and Analysis

Income Tax Expenses

Income tax expenses of the Group decreased by approximately HK\$1.6 million or 61.9% from approximately HK\$2.5 million for the year ended 31 March 2018 to approximately HK\$0.9 million for the year ended 31 March 2019 and such decrease was primarily attributable to the decrease in assessable profit of a major operating subsidiary of the Company.

(Loss)/Profit for the Year

(Loss)/profit for the year decreased by approximately HK\$2.5 million or 120.0% from a profit of HK\$2.1 million for the year ended 31 March 2018 to a loss of HK\$0.4 million for the year ended 31 March 2019. Such decrease was primarily attributable to the combined effect of the decrease in (1) gross profit; (2) listing expenses; (3) the increase in staff costs; and (4) legal and professional expenses as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has met its liquidity requirements principally through net cash flows generated from our operations and bank borrowings. The Group's principal uses of cash have been, and are expected to continue to be, applied to operational costs. The Directors believe that in the long term, the Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing and/or bank borrowings.

The current ratio increased from approximately 2.4 times as at 31 March 2018 to approximately 11.0 times as at 31 March 2019. The increase was mainly due to (i) the increase in bank and cash balances mainly arising from the Share Offer; and (ii) the full repayment of all outstanding bank borrowings as at 31 March 2019.

As at 31 March 2019, the Group had no borrowings (31 March 2018: approximately HK\$8.9 million). The gearing ratio, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, decreased from approximately 33.2% as at 31 March 2018 to approximately 0% as at 31 March 2019 mainly due to the funds raised in the Share Offer and the Group's continuous effort to manage its financial leverage. Total debts include amounts due to controlling shareholders and interest-bearing borrowings. The Directors consider the Group's financial position is sound and strong and the Group has sufficient liquidity to satisfy its funding requirements with available bank and cash balances and bank credit facilities.

The maturity profile of the Group's borrowings as at 31 March 2019 and 31 March 2018 were as follows:

	31 March 2019 HK\$'000	31 March 2018 HK\$'000
Repayable within one year	–	5,570
Repayable more than one year, but not more than two years	–	3,305
	–	8,875

Management Discussion and Analysis

During the year ended 31 March 2018, the bank borrowings of the Group carried interest at the rate between 2.52% to 4.1% per annum.

As at 31 March 2018, term loans of approximately HK\$5.9 million was secured by the guarantee given by Hong Kong Mortgage Corporation Limited and personal guarantees by Dr. Chan and Mr. Kwong.

As at 31 March 2019, banking facilities of HK\$2.5 million was secured by the personal guarantees given by Dr. Chan and Mr. Kwong.

TREASURY POLICY

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

CAPITAL STRUCTURE

The Shares of the Company were listed on GEM of the Stock Exchange on 17 September 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary Shares.

As at the date of this report, the Company's authorised share capital was HK\$15,000,000 divided into 1,500,000,000 Shares at par value of HK\$0.01 each and the number of its issued ordinary Shares was 960,000,000.

COMMITMENTS

The operating lease commitments of the Group as at 31 March 2019 were primarily related to the leases of its office premise. The Group's operating lease commitments as at 31 March 2019 amounted to approximately HK\$4.7 million (2018: approximately HK\$6.6 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2019, save for the business plans as set out in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

Management Discussion and Analysis

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. In addition, the Group's borrowings and bank balances are mainly denominated in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE ON GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2019 (31 March 2018: nil).

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 March 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 125 employees (31 March 2018: 132 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$43.6 million for the year ended 31 March 2019 (31 March 2018: approximately HK\$41.8 million). Remuneration is mainly determined with reference to market trends, the Group's operating results and the performance, qualification and experience of individual employee. The remuneration packages mainly comprise basic salaries, medical coverage, overtime allowance, travelling allowance and discretionary bonuses based on individual performance, which are offered to employees as recognition of, and reward for their contribution.

Management Discussion and Analysis

USE OF PROCEEDS

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 17 September 2018. The net proceeds from the Share Offer received by the Company was approximately HK\$26.9 million (after deduction of listing expenses). Up to 31 March 2019, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus as follows:

Business strategies	Amount designated in the Prospectus HK\$' million	Amount utilised up to 31 March 2019 HK\$' million	Unutilised balance as at 31 March 2019 HK\$' million
Support and expand our structural and geotechnical engineering team	7.9	0.7	7.2
Grow and develop our civil engineering team	7.9	0.6	7.3
Expand our office infrastructure and BIM upgrade	5.2	—*	5.2
Support and expand our material engineering and building repairs area of service	4.7	—	4.7
General working capital	1.2	1.2	—
	<u>26.9</u>	<u>2.5</u>	<u>24.4</u>

* Less than HK\$0.1 million

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. CHAN Yin Nin (陳延年博士), aged 63, has been a Director since 25 August 2017, being the date of incorporation of our Company, and redesignated as our executive Director on 21 November 2017. Dr. Chan is the compliance officer, an authorised representative, and a member of the Remuneration Committee and Nomination Committee. Dr. Chan is also a director of certain subsidiaries of the Company. Dr. Chan is one of the directors of Manning Properties. Dr. Chan is primarily responsible for corporate strategic planning and overall business development of our Group and participating in the day-to-day management of our business operations. Dr. Chan has over 27 years of experience in the engineering industry.

His work experience is summarised as below:

Period	Name of company/ enterprise	Principal business activity	Position	Duties and responsibilities
July 1979 to September 1980	Sir Alfred McAlpine & Son (Southern) Limited	Provision of services as building, civil engineering and public works contractors	Junior engineer	Supervision of building works including drainage and road paving works
August 1981 to February 1982; February 1983 to September 1983	Wan Hin & Co., Ltd.	Provision of services as building and general contractors	Assistant engineer; site engineer	Site supervision and site management
April 1988 to December 1989; January 1990 to August 1993	Ove Arup & Partners Hong Kong Limited	Engineering consultancy	Engineer; senior engineer; associate	Civil and structural engineering consultancy
September 1993 to June 2004	Building Design & Technology Limited	Engineering consultancy	Director	Civil and geotechnical engineering matters, temporary work and materials consultancy and new building projects
November 1996 to August 2004	BDT Engineering Consultants Limited	Engineering consultancy	Director	Civil and geotechnical engineering matters, temporary work and materials consultancy and new building projects
April 1999 to Present	Wong & Cheng Consulting Engineers Limited	Construction engineering consultancy	Director; chairman	Corporate strategic planning and overall business development of our Group and participating in the day- to-day management of our business operations

Biographical Details of Directors and Senior Management

Dr. Chan obtained a diploma in engineering with distinction from The University of Dundee in July 1984. Dr. Chan further obtained a doctor's degree of philosophy with The Dr. Angus A. Fulton Postgraduate Prize (Civil Engineering) from The University of Dundee of the United Kingdom in July 1988. He is currently registered as a Registered Professional Engineer in civil, structural, materials, environmental, building, geotechnical, logistics and transportation by ERB and a Registered Structural Engineer and Registered Inspector with the Building Authority.

Details of Dr. Chan's relevant professional qualifications are set out below:

Date of qualification	Professional qualification
March 1990	Registered as a Chartered Engineer by The Engineering Council of the United Kingdom
October 1990	Awarded the title of European Engineer of the European Federation of National Engineering Associations
November 1990	Elected as a member of The Institution of Structural Engineers of the United Kingdom
September 1991	Admitted as a member of The Hong Kong Institution of Engineers (the "HKIE")
December 1991	Admitted as a member of The Institution of Civil Engineers of the United Kingdom
August 1996	Admitted as a member of The Chartered Institution of Water and Environmental Management of the United Kingdom
August 1996	Registered as a professional member by The Institute of Materials (now known as The Institute of Materials, Minerals and Mining) of the United Kingdom
May 1997	Admitted as a practising member of The Academy of Experts of the United Kingdom
June 2000	Qualified as a PRC Grade 1 Registered Structural Engineer (中華人民共和國一級註冊結構工程師) under the National Administration Board of Engineering Registration (Structural) (全國註冊工程師管理委員會(結構)) in the PRC
July 2002	Registered as a fellow of The Institute of Materials, Minerals and Mining of the United Kingdom
November 2003	Admitted as a fellow of the HKIE
November 2003	Elected as a fellow of and qualified as a Chartered Structural Engineer by The Institution of Structural Engineers of the United Kingdom

Biographical Details of Directors and Senior Management

Date of qualification	Professional qualification
September 2004	Registered as a Chartered Environmentalist by the Society for the Environment of the United Kingdom
September 2016	Admitted as a professional member of Hong Kong Institute of Qualified Environmental Professionals Limited

Details of Dr. Chan's other major relevant achievements are set out below:

Year of achievement	Other achievements
1997 to 1998	Served as chairman of the Materials Division of the HKIE
2000	Registered as a registered principal of The Association of Consulting Engineers of Hong Kong
2006 to 2008, 2010 to 2012	Appointed as a vice president of the Supervisory Council of the Macau Construction Association
2017 to present	Designated as an honorary advisor of the second session of the Macau Society of Civil and Structural Engineers

Mr. KWONG Po Lam (龔保林先生), aged 62, has been a Director since 25 August 2017, being the date of incorporation of our Company, and redesignated as our executive Director on 21 November 2017. Mr. Kwong is a member of the Remuneration Committee and Nomination Committee. Mr. Kwong is also a director of certain subsidiaries of the Company. Mr. Kwong is one of the directors of Manning Properties. Mr. Kwong is primarily responsible for corporate strategic planning and overall business development of our Group and participating in the day-to-day management of our business operations. Mr. Kwong has over 36 years of experience in the engineering industry.

His work experience is summarised as below:

Period	Name of company/enterprise	Principal business activity	Position	Duties and responsibilities
January 1980 to March 1981	Stresstek (H.K.) Ltd.	Engineering	Assistant engineer	Assisting with engineering matters
April 1981 to September 1982	Gordon Wu & Associates	Architecture and engineering	Structural designer	Structural engineering matters
September 1982 to January 1986	Ove Arup & Partners Hong Kong Limited	Engineering	Structural engineer	Structural engineering matters

Biographical Details of Directors and Senior Management

Period	Name of company/ enterprise	Principal business activity	Position	Duties and responsibilities
February 1986 to November 1989	KNW Architects & Engineers Limited	Engineering	Associate; structural engineer	Design and site supervision and training of graduate engineers
December 1989 to August 1990	Buildings and Lands Department (currently separately known as the Buildings Department and the Lands Department) of the Hong Kong Government	Buildings and lands matters	Structural engineer	Structural engineering matters
February 1992 to December 1993	Dywidag-Systems International Canada Limited	Provision of services in relation to post- tensioning and geotechnical systems and special construction methods	Engineer	Project planning, civil and structural engineering design and site supervision
January 1994 to Present	Wong & Cheng Consulting Engineers Limited	Structural, civil and geotechnical engineering consultancy	Managing director	Corporate strategic planning and overall business development of our Group and participating in the day- to-day management of our business operations
May 2016 to April 2019	Win Win Way Construction Holdings Ltd. (a company listed on the Main Board of the Stock Exchange with stock code: 994) <i>(Note 1)</i>	Providing foundation works and ancillary services, as well as general building works in Hong Kong	Executive director	Quality and technical assurance matters
April 2019 to Present	Win Win Way Construction Co., Limited	Providing foundation works and ancillary services, as well as general building works in Hong Kong	Director	Quality and technical assurance matters

Biographical Details of Directors and Senior Management

Note:

(1) Mr. Kwong was not a shareholder of Win Win Way Construction Holdings Ltd. during the year ended 31 March 2019.

Mr. Kwong was awarded with an Associateship in Civil and Structural Engineering from The Hong Kong Polytechnic University in November 1981. Mr. Kwong obtained a master degree of science in engineering (civil engineering) from The University of Hong Kong in November 2000. He became a member of The Institution of Civil Engineers of the United Kingdom in December 1992, a member of The Institution of Structural Engineers of the United Kingdom in November 1985, and a member of The Association of Professional Engineers and Geoscientists of British Columbia, Canada in March 1996. He was admitted as a member of The Hong Kong Institution of Engineers in March 1986 and a fellow member of The Hong Kong Institution of Engineers in July 2003. He was registered as a Chartered Engineer of The Engineering Council in May 1986, a Registered Professional Engineer (Civil, Structural) with ERB in November 1995 and a PRC Grade 1 Registered Structural Engineer (中華人民共和國一級註冊結構工程師) of the National Administration Board of Engineering Registration (Structural) (全國註冊工程師管理委員會 (結構)) in the PRC in July 2001. He was also registered as a civil engineer by the Council of Architecture, Engineering and Urbanism of Macau in January 2016. He is currently registered as an Authorized Person on the list of engineers, a Registered Inspector, a Registered Structural Engineer and a Registered Geotechnical Engineer by the Building Authority. Mr. Kwong was also admitted as a member of The Macau Institution of Engineers in June 2017.

Ms. SU Xiaoyan (蘇小燕女士) (“Ms. Su”), aged 29, has been an executive Director since 6 June 2019. Ms. Su is primarily responsible for seeking new business opportunities and providing advice to the Company.

She graduated from Hengyang Normal University* (衡陽師範學院) with a bachelor degree in computer science and technology in 2014. She has over 9 years of experience in e-commerce management.

Between October 2009 and October 2016, Ms. Su worked in Hangzhou UCO Cosmetics Co., Ltd.* (“UCO”) (杭州悠可化妝品有限公司) (a company principally engaged in online agent operation, sales, channel management, e-commerce solutions and other services), where she was responsible for the operation and management of multiple e-commerce brand projects, including operation strategy and planning, goals and performance achievement and various business management on e-commerce platform. Her last position in UCO was e-commerce operating director. She is currently the vice president of Shanghai Yuefeng Health Management Co., Ltd.* (上海月豐健康管理有限公司), a subsidiary of Qingdao Kingking Applied Chemistry Co. Ltd., a company listed on Shenzhen Stock Exchange (stock code: 002094), where she is involved in project operation strategy planning, operation management and online to offline formation system establishment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHU Moune Tsi, Stella (崔滿枝女士) (“Ms. Chu”), aged 45, has been an independent non-executive Director since 27 August 2018. Ms. Chu is the chairlady of the Audit Committee, a member of the Remuneration Committee and Nomination Committee, and is primarily responsible for supervising the Board and providing independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. Ms. Chu has over 9 years of experience in accountancy.

Biographical Details of Directors and Senior Management

Her work experience is summarised as below:

Period	Name of company/ enterprise	Principal business activity	Position	Duties and responsibilities
March 2004 to July 2009	Baker Tilly (Macao) Consulting Limited	Accounting firm	Director	Accounting matters
July 2014 to present	Gracemind Registered Accountants & Associates	Accounting firm	Partner	Accounting and taxation matters

Ms. Chu received a bachelor's degree of business administration majoring in finance from the University of Macau in July 1997 and a master degree of accountancy from The Chinese University of Hong Kong in December 2010. Ms. Chu has been a registered accountant of Macau under Comissão de Registo dos Auditores e dos Contabilistas, Macau since June 1998.

Mr. CHOY Wai Shek, Raymond, MH, JP (蔡偉石先生，榮譽勳章，太平紳士) ("Mr. Choy"), aged 70, has been an independent non-executive Director since 27 August 2018. Mr. Choy is the chairman of the Nomination Committee, and a member of the Audit Committee and Remuneration Committee, and is primarily responsible for supervising the Board and providing independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.

His work experience is summarised as below:

Period	Name of company/ enterprise	Principal business activity	Position	Duties and responsibilities
September 2004 to present	Far East Hotels and Entertainment Limited (a company listed on the Main Board of the Stock Exchange with stock code: 37)	Hotel operation; property holding; property investment; securities trading and investment	Independent non-executive director	Serves as chairman of the remuneration committee and a member of the audit and nomination committees
April 2006 to present	Kong Lee Marble & Stone Engineering Limited	Trading of marbles, stones and building materials and construction	Director	Oversees overall management, business operation and development of the company

Biographical Details of Directors and Senior Management

Period	Name of company/ enterprise	Principal business activity	Position	Duties and responsibilities
August 2014 to present	New Concepts Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2221)	Construction works and environmental protection	Independent non-executive director	Serves as chairman of the remuneration committee and a member of the audit and nomination committees
August 2018 to present	AB Builders Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1615)	Structural works and fitting-out works	Independent non-executive director	Serves a chairman of the nomination committee and a member of the audit and remuneration committees

Mr. Choy has been involved in the following organisation activities:

Period	Position	Organisation/professional body
April 1985 to March 1991	Elected member	Sham Shui Po District Board of the Sham Shui Po District Office of the Government
April 1991 to September 1994	Elected member and chairman of the board	Sham Shui Po District Board of the Sham Shui Po District Office of the Government
November 1991 to October 1993	Member	Consultative Committee on the New Airport and Related Projects of the Government
April 1994 to June 1997	Hong Kong affairs adviser	Jointly appointed by the Hong Kong and Macao Affairs Office of The State Council (國務院港澳事務辦公室) of the PRC and the Hong Kong branch of Xinhua News Agency (新華通訊社香港分社)
June 1998 to January 2017	Member of the Hong Kong region from the ninth to twelfth session (第九至十 二屆香港地區委員)	The Guangzhou City committee of the Guangdong Provincial Committee of The Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省 廣州市委員會)
August 2004 to August 2010	Vice-chairman and member	Occupational Safety and Health Council of the Labour and Welfare Bureau of the Government

Biographical Details of Directors and Senior Management

Period	Position	Organisation/professional body
July 2010 to July 2012	Member	Energy Advisory Committee of the Environment Bureau of the Government
January 2006 to January 2010	Member	Various committees and working groups of the Consumer Council of the Economic Development and Labour Bureau of the Government
January 2010 to December 2011	Vice-chairman	Competition Policy Committee of the Consumer Council of Hong Kong
April 2012 to present	Co-opted member	Research & Testing Committee of the Consumer Council of Hong Kong
December 2016 to present	Elected chairman of the fiftieth session	The Chinese General Chamber of Commerce

Mr. Choy obtained a diploma in Chinese law from the University of East Asia (now known as the University of Macau) in Macau in October 1987 and a diploma in political science from the Institute of International Relations (國際關係研究所) of the International Affairs College (國際事務書院) in Hong Kong in July 1988. He was appointed as Justices of the Peace of Hong Kong in 1992 and awarded with the Medal of Honor by the Government in 2002.

Mr. SZE Kyran, MH (施家殷先生，榮譽勳章) (“Mr. Sze”), aged 53, has been an independent non-executive Director since 27 August 2018. Mr. Sze is the chairman of the Remuneration Committee, and a member of the Audit Committee and Nomination Committee, and is primarily responsible for supervising the Board and providing independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.

His work experience is summarised as below:

Period	Name of company/enterprise	Principal business activity	Position	Duties and responsibilities
February 1995 to August 2013	Aedas Limited	Architect and planner	Managing director, executive director and senior director	Management of business operator of the company
November 2010 to present	KYSS Properties Limited	Properties investment	Director	Management of business operator of the company

Biographical Details of Directors and Senior Management

Mr. Sze received a bachelor degree of architecture and a master degree of project management from The University of New South Wales in October 1990 and April 1993 respectively. Mr. Sze is currently registered as a Registered Architect by the Architects Registration Board of Hong Kong and an Authorized Person on the list of architects under the Buildings Ordinance. He was awarded with the Medal of Honor by the Government in 2017. Mr. Sze has also received the following professional qualifications:

Date of qualification	Professional qualification
August 1992	Registered as an architect and enrolled in the division of non-chartered architects of the Board of Architects of New South Wales
August 1993	Elected as an associate of the Royal Australian Institute of Architects
October 1994	Admitted as a member of The Hong Kong Institute of Architects
January 1995	Elected into corporate membership of the Royal Institute of British Architects
December 2005	Admitted as an APEC Architect by authority of the Central Council of the APEC Architect Register
June 2011	Admitted as a full member of the Hong Kong Institute of Urban Design
June 2011	Elected as a fellow member of the Hong Kong Institute of Real Estate Administrators
October 2011	Passed the Grade 1 Registered Architect in the PRC (一級註冊建築師) registration of professional regulations test by the Guangdong Province Management Committee of Registered Architects and Engineers (廣東省註冊建築師與工程師管理委員會)
September 2015	Registered as a Chartered Building Engineer of the Chartered Association of Building Engineers
August 2015	Admitted as a fellow member of The Hong Kong Institute of Directors

SENIOR MANAGEMENT

Mr. FONG Chi Wai (方智威先生) ("Mr. Fong"), aged 48, is a technical director of our Group and is mainly plays supervising role in various type of our Group's projects, such as design, management and site administration of new buildings, alterations and additions, and renovation projects.

Mr. Fong has approximately 25 years of experience in the engineering industry. Mr. Fong served as senior civil engineer at W&C Hong Kong since March 2002 and was promoted to be an associate director in September 2010 and was further redesignated as a technical director in August 2018.

Biographical Details of Directors and Senior Management

Mr. Fong graduated from The Hong Kong Polytechnic University and received a bachelor's degree of engineering in civil engineering in November 1994 and further obtained a postgraduate diploma in civil engineering in November 2000. In July 2015, Mr. Fong obtained a juris doctor's degree from the City University of Hong Kong.

Mr. Fong became a member of the Hong Kong Institution of Engineers in September 1998, an associate of the Hong Kong Institute of Arbitrators in December 1998, a member of The Chartered Institute of Arbitrators in September 1999, and a Registered Professional Engineer (Civil) in Hong Kong in February 2004.

Mr. HEUNG Siu Kee (香兆祺先生) ("Mr. Heung"), aged 75, is a technical director of our Group and is mainly responsible for the administration, design and supervision of superstructure, foundation and excavation works and coordination and site supervision of construction projects.

Mr. Heung has approximately 49 years of experience in the engineering industry. Prior to joining our Group, from April 1969 to May 1970, Mr. Heung served as a draftsman in the engineering division at HLK Services, Ltd. Mr. Heung later worked as a senior structural engineer at Gordon Wu & Associates from June 1970 to March 1981. From February 1981 to June 1991, Mr. Heung served as an engineer at KNW Architects & Engineers Limited and subsequently joined W&C Hong Kong as senior structural engineer in July 1991. He was promoted to be an associate director of our Group in May 2010 and was further redesignated as a technical director in August 2018.

Mr. Heung graduated from the National Taiwan University and received a bachelor's degree in civil engineering in June 1967.

Mr. HUANG Wan Fu (黃文富先生) ("Mr. Huang"), aged 66, is a technical director of our Group and is mainly responsible for the geotechnical engineering design works such as ground investigation, site formation planning, natural terrain hazard assessment, deep excavation and lateral support ("**ELS**") design for basement and pile cap construction and supervision of slope stabilisation, ELS and wall strengthening works.

Mr. Huang has more than 13 years of experience in the engineering industry. Mr. Huang served as senior engineer at W&C Hong Kong since December 2005 and was promoted to be an associate director in August 2013 and was further redesignated as a technical director in August 2018.

Mr. Huang graduated from the National Taiwan University and received a bachelor's degree of science in engineering in June 1974. Mr. Huang obtained a master's degree in engineering from the Asian Institute of Technology in Thailand in April 1980.

Mr. LEE Sik Kwan (李錫均先生) ("Mr. Lee"), aged 54, is a technical director of our Group and is mainly responsible for the structural and geotechnical engineering design, and supervision and administration works for building and civil projects.

Mr. Lee has more than 29 years of experience in the engineering industry. Mr. Lee served as an assistant structural engineer at W&C Hong Kong since August 1991 and was promoted to be an associate director in September 2010 and was further redesignated as a technical director in August 2018.

Biographical Details of Directors and Senior Management

Mr. Lee graduated from the University of Hong Kong and received a bachelor's degree of science in engineering in December 1989. Mr. Lee became a member of The Institution of Structural Engineers in November 1994 and a member of The Hong Kong Institution of Engineers in September 1996. Mr. Lee became a Registered Professional Engineer (Structural) in Hong Kong in December 1999, and a Registered Structural Engineer in Hong Kong since February 2017.

Mr. NGAI Wai Bun (魏偉彬先生) (“Mr. Ngai”), aged 49, is a technical director of our Group and is mainly responsible for the geotechnical engineering design and related works such as geotechnical assessment and natural terrain hazard study, and site supervision.

Mr. Ngai has approximately 15 years of experience in the engineering industry. Mr. Ngai worked as an engineer at Meinhardt (C&S) Limited from September 1999 to June 2004. Mr. Ngai joined our Group as senior engineer at W&C Hong Kong since September 2008 and was subsequently promoted to be an associate director in May 2013 and was further redesignated as a technical director in August 2018.

Mr. Ngai graduated from The Hong Kong Polytechnic University and received a bachelor's degree of engineering in civil engineering in November 1993. Mr. Ngai later obtained a master's degree of science in civil engineering from The Hong Kong Polytechnic University in November 1998.

Mr. Ngai became a corporate member of The Institution of Structural Engineers since November 2000, a corporate member of The Hong Kong Institution of Engineers in January 2001, and a member of The Institution of Mining and Metallurgy of the United Kingdom in May 2001.

Mr. Ngai became a Chartered Engineer of the Engineering Council of the United Kingdom since March 2001, a Chartered Structural Engineer of The Institution of Structural Engineers of the United Kingdom in November 2000, a Registered Professional Engineer (Structural, Geotechnical) in Hong Kong in February 2004, and a Registered Geotechnical Engineer in Hong Kong since March 2013.

Dr. CHU Yu Tin, Albert (朱雨田博士) (“Dr. Chu”), aged 63, is a technical director of our Group and is mainly responsible for the design management of building development projects.

Dr. Chu has over 38 years of experience in the engineering industry. Prior to joining our Group, Dr. Chu worked as senior structural engineer at the Buildings Department of Hong Kong from September 1992 to May 2016. He then joined W&C Hong Kong as a technical director in September 2016.

Dr. Chu graduated from University of Windsor in Canada and received a bachelor's degree of applied science in civil engineering in October 1980. He later obtained a master's degree of science in civil engineering from The Hong Kong Polytechnic University in November 1994. Dr. Chu obtained a doctor of philosophy degree in civil engineering from The University of Queensland of Australia in July 2004. Dr. Chu became a member of The Institution of Structural Engineers of the United Kingdom in November 1987, a member of The Hong Kong Institution of Engineers in January 1991 and a member of The Institution of Civil Engineers of the United Kingdom in July 1996. Dr. Chu became a Registered Professional Engineer (Civil, Structural) in Hong Kong in December 1997. He is currently an Authorized Person (list of engineers) and a Registered Structural Engineer with the Building Authority.

Biographical Details of Directors and Senior Management

Dr. CHEN Hui (陳暉博士) (“Dr. Chen”), aged 61, is a technical director of our Group and is mainly responsible for business development, design and management of geotechnical projects and related works.

Dr. Chen has approximately 21 years of experience in the engineering industry. Dr. Chen worked as a geotechnical engineer at Central Coal Mining Research Institute (煤炭科學研究總院) in the PRC from 1984 to August 1988 and a full-time research fellow at the department of civil and structural engineering of the Nottingham Trent University of the United Kingdom from January 1993 to December 1994. He worked as a geotechnical engineer at Greg Wong & Associates Ltd. and Maunsell Geotechnical Services Ltd. from December 1994 to January 1997 and September 1997 to April 1998, respectively. He worked as a resident engineer (geo) at Montgomery Watson Hong Kong Ltd. from May 1998 to August 1999. He then worked at W&C Hong Kong as an associate from September 1999 to September 2008. From September 2008 to April 2010, Dr. Chen worked as the associate director of Scott Wilson Ltd. From May 2013 to October 2017, he worked as an associate director (and then resident geotechnical engineer) of WSP Hong Kong Limited. Dr. Chen joined our Group as a geotechnical director in July 2018 and was further redesignated as a technical director in August 2018.

Dr. Chen graduated from the Shandong Institute of Mining and Technology (山東礦業學院 currently known as the Shandong University of Science and Technology (山東科技大學)) in the PRC and received a bachelor's degree in coal mining engineering in October 1982. He later obtained a master's degree in engineering from Central Coal Research Institute of the Coal Industry Ministry* (煤炭工業部煤炭科學研究總院) in the PRC in December 1984. He studied full time in the Department of Mining Engineering at the University of Nottingham from October 1988 to June 1992 and obtained a doctor of philosophy degree from the University of Nottingham in July 1992.

Dr. Chen became a professional member of The Institute of Materials, Minerals and Mining of the United Kingdom in May 1996, a Chartered Engineer of the Engineering Council of the United Kingdom in January 1997, a member of The Hong Kong Institution of Engineers in December 1997 and a Registered Professional Engineer (Geotechnical) in Hong Kong in December 1998.

COMPANY SECRETARY

Mr. CHAN Kwok Wai (陳國威先生), aged 34, is the financial controller and company secretary of our Company. He joined our Group in October 2017 and has approximately 10 years of experience in finance and accounting fields.

Mr. Chan received a bachelor of commerce degree from Hong Kong Shue Yan University in Hong Kong in July 2009. He became a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2013.

The English translation of the Chinese name in this report, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

Environmental, Social and Governance Report

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICIES

As one of the leading construction engineering consultancy service providers, the Company believes sustainability is a key to achieve continuous success and has integrated this key into our business strategy.

This Environmental, Social and Governance Report (the “**ESG Report**”) summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainability development.

ESG Governance Structure

The Group conducts a top-down management approach regarding our ESG issues. The Board oversees and sets out ESG strategy for the Group. It is also responsible for ensuring the effectiveness of the Group’s risk management and internal controls.

In order to have a systematic management of the Group’s ESG issues, the Group has set up an ESG working taskforce (the “**Taskforce**”) composed of staff from relevant departments. The Taskforce is responsible to collect relevant ESG data and compile the ESG Report. It will periodically report to the Board, assisting in the assessment and identification of the Group’s ESG risk management and evaluation of the implementation and effectiveness of internal control system. It also reviews the Group’s ESG performance, including environmental, labour practices and other ESG aspects.

SCOPE OF REPORTING

The ESG Report generally covers the Group’s key business and operational activities in Hong Kong and Shenzhen offices, unless specified otherwise. In particular, the General Disclosure and compliance matters of Subject Area A and Subject Area B cover both Hong Kong and Shenzhen offices. The ESG key performance indicator (“**KPI**”) data is gathered and included under the Group’s business activities in Hong Kong office. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) contained in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited.

For the Group’s corporate governance practices, please refer to P.43 to P.58 for the section “Corporate Governance Report” contained in the Group’s Annual Report 2019.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2019.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to understand their views and collect their feedback. Our communication channels with our stakeholders include but not limited to company website, annual general meeting and staff meetings.

The Group's communication channels with the key stakeholders are as follows:

Relevant Stakeholders	Stakeholder Concerns	Communication Channels
Shareholders and investors	<ul style="list-style-type: none"> • Corporate governance system • Business strategies and performance • Investment returns 	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Annual report, interim reports and quarterly reports • Announcements and circulars • Company website and email
Customers and business partners	<ul style="list-style-type: none"> • Privacy protection • Business integrity and ethics 	<ul style="list-style-type: none"> • Customer support hotline and email
Employees	<ul style="list-style-type: none"> • Career development • Health and safety • Remuneration and benefits • Equal opportunities 	<ul style="list-style-type: none"> • Trainings, seminars and briefing sessions • Staff appraisals
Subconsultants	<ul style="list-style-type: none"> • Fair tendering • Business ethics and reputation 	<ul style="list-style-type: none"> • Management meetings and emails
Regulatory bodies and government authorities	<ul style="list-style-type: none"> • Compliance with rules and laws • Implementation of policies 	<ul style="list-style-type: none"> • Compliance Adviser • On-site inspections • Legal Advisor
Media, non-governmental organisations and the public	<ul style="list-style-type: none"> • Social welfare • Community development • Health and safety • Environmental protection 	<ul style="list-style-type: none"> • Community activities • Media • ESG Report

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the community on a continuous basis.

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

The Group have considered feedback from the relevant stakeholders in determining the Group's material ESG aspects to be covered in the ESG Report. These are shown in the table below, together with the aspects of the ESG Reporting Guide to which they relate:

The ESG Reporting Guide	Material ESG aspects of the Group	
A. Environmental		
A1. Emissions	Greenhouse Gas (“GHG”) Emissions	P.28
	Waste Management	P.29
A2. Use of Resources	Energy Consumption	P.30
	Water Consumption	P.31
A3. The Environment and Natural Resources	Green Working Environment	P.32
B. Social		
B1. Employment	Recruitment and Remuneration	P.33
	Work-life Balance	P.33
	Diversity, Equal Opportunity and Anti-discrimination	P.33
B2. Health and Safety	Safety Trainings and Inspections	P.34
B3. Development and Training	Training and Development	P.34
B4. Labour Standards	Prevention of Child Labour and Forced Labour	P.35
B5. Supply Chain Management	Subconsultant Management	P.35
	Fair and Open Tendering	P.36
B6. Product Responsibility	Quality Management	P.36
	Customer Service	P.36
	Intellectual Property (“IP”) Rights	P.37
B7. Anti-corruption	Anti-money Laundering	P.37
B8. Community Investment	Corporate Social Responsibility	P.38

As at 31 March 2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

Environmental, Social and Governance Report

CONTACT US

The Group welcomes stakeholders' feedbacks on our ESG approach and performance, based on which we will take relevant actions and continuously improve our sustainability performance.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

The Group is an office-based construction engineering consultancy service provider focusing on the area of comprehensive structural and geotechnical engineering, hence creating limited impacts to the environment. As a socially responsible corporation, the Group still recognises its responsibilities towards the potential direct and indirect negative environmental impacts associated with our business operations. We have integrated environmental considerations into our decision-making processes and strive to create an environmentally sustainable business.

The Group has set up related environmental policies and initiatives to promote sustainability within our business. We uphold the principles of emission reduction and resource efficiency in our environmental management approaches. This is achieved through implementing measures that promote energy efficiency, waste reduction and any other green initiatives in our services. We are also committed to educating our employees in raising their awareness on environmental protection and complying with relevant environmental laws and regulations.

Within our policy framework, we continually look for opportunities to pursue environmentally friendly initiatives, enhance our environmental performance by reducing energy consumption and use of other resources.

During the year ended 31 March 2019, the Group has not identified any material non-compliance of environmental laws and regulations in Hong Kong and China that has significant impact to the Group, including but not limited to "Air Pollution Control Ordinance", "Noise Control Ordinance" and "Environmental Protection Law of the People's Republic of China".

Exhaust Gas Emissions

Due to our business nature, the Group does not generate significant amount of exhaust gas emissions during its operations.

Environmental, Social and Governance Report

Greenhouse Gas (“GHG”) Emissions

Given that the Group’s operation does not involve any combustion of fuels, the Group did not generate significant amount of Scope 1 GHG emission. The GHG emissions of the Group are mainly generated from purchased electricity (Scope 2) and paper consumption (Scope 3). The Group actively adopts initiatives to reduce GHG emissions and promote energy conservation, including:

- Actively adopt measures for environmental protection, energy conservation, and water saving. Relevant measures are described in “Energy Consumption” and “Water Consumption” under Aspect A2; and
- Actively adopt paper saving measures in office. The relevant measures are described in the section “Waste Management” in this chapter.

Other than the above measures, the Group will propagate environmental protection messages to employees to raise their awareness. Also, the office has posted notices and posters of green information to promote the best practices of environmental management. The employee’s awareness of reducing GHG emissions has been increased through these GHG mitigation measures.

The summary of GHG emissions performances:

Indicator ¹	Total emissions (tCO ₂ e)	Intensity ² (tCO ₂ e / employee)
Indirect GHG emission (Scope 2) – electricity consumption	122.49	1.21
Indirect GHG emission (Scope 3) – paper consumption ³	28.74	0.28
Total GHG emissions (Scope 2 and Scope 3)	151.23	1.49

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs” issued by the HKEX, the CLP 2018 Sustainability Report, and the “Global Warming Potential Values” from the IPCC Fifth Assessment Report, 2014 (AR5).
2. As at 31 March 2019, the Group had a total of 101 full-time employees under the Group’s business activities in Hong Kong office. The data is also used for calculating other intensity data.
3. Recycled papers are not included in the calculation of GHG emissions.

Environmental, Social and Governance Report

Wastewater Management

The Group does not consume significant volume of water through our daily operation, and therefore our business activities did not generate material portion of discharge into water. The majority of the water supply and discharge facilities are provided and managed by property management company.

Waste Management

The Group adheres to the waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practices have complied with relevant laws and regulations relating to environmental protection.

Hazardous Waste Handling Method

Due to the Group's business nature, we did not generate significant amount of hazardous waste during the year ended 31 March 2019. Despite the Group did not generate hazardous wastes, the Group has established guidelines in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, and complied with relevant environmental rules and regulations.

Non-hazardous Waste Handling Method

The Group adopts the principle of 3Rs for waste management and strive for resource utilisation, which are "Reduce, Reuse and Recycle". With the aim of minimising the environmental impacts from non-hazardous wastes generated from business operation, the Group has implemented measures to handle such wastes and launched different reduction initiatives. With such waste management approaches, we hope to embed an environmentally friendly mindset among our employees. Responsibilities are shared among staff for waste management in the office to implement the following initiatives:

- Limiting the amount of tissue rolls distributed to staff, extra needs are available upon request;
- Preventing overstock of stationeries by using a Stationery Requisition Form to order stationeries;
- Setting computer's printing default setting as "Black and White" instead of "Colour";
- Distributing office memos to remind staff to only print necessary materials to avoid wastage;
- Using recycled paper for printing and copying;
- Utilising electronic communication where applicable;
- Minimising waste wherever feasible;

Environmental, Social and Governance Report

- Sorting recycled waste into appropriate receptacles, educating employees on sorting methods if needed; and
- Placing appropriate signages on walls and bins, stating what type of waste or recyclable should be placed in the bins.

With the above waste reduction initiatives, employees' waste reduction awareness has been raised.

The summary of major non-hazardous wastes discharge performances:

Category of waste	Total discharge (tonnes)	Intensity (tonnes/employee)
Paper	5.99	0.059
Ink cartridge	0.009	0.00009

A2. Use of Resources

General Disclosure and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in its business operations. During the operations, the Group has consumed electricity and water, and the Group has established relevant policies and procedures in governing the efficient use of resources to achieving higher energy efficiency and reducing the use of unnecessary materials.

Energy Consumption

Since electricity is the resource that the Group consumed the most, we have established related measures to improve our performances on energy conservation. All employees are aware of the implemented measures and share the responsibility in improving the Group's overall energy efficiency.

The Group has set up an energy management system, monthly monitoring of the usage of electricity, water and other materials is implemented. Unexpected high consumption of electricity will be investigated to find out the root cause and take preventive measures. This management system regularly reviews the Group's energy objectives and targets, and enhance its energy performance continuously.

Environmental, Social and Governance Report

During the year ended 31 March 2019, the Group has performed the following measures relating to mitigating emissions:

- Applying optimal temperature setting of air-conditioning;
- Distributing office memo to all staff to remind them switching off desk computer before leaving;
- Reminding staff to switch off idling lights and all unnecessary electrical appliances before leaving the office every day;
- Encouraging our staff to utilise tele-conferences and email so to reduce air and carbon emissions related to transportation needed for meetings; and
- Posting green messages on the information portal to raise colleagues' awareness in energy conservation.

In addition, the Group increases the awareness of energy conservation and environmental protection into the work and life of employee by posing power-saving slogans. Through these energy-saving measures, the employees' awareness of energy conservation has been increased.

During the year ended 31 March 2019, the energy consumption of the Group and its intensity were as follows:

Type of energy	Energy consumption (kWh)	Intensity (kWh/employee)
Electricity	240,180.00	2,378.02

Water Consumption

The Group's water consumption is mainly water consumed in office. The Group's water consumption expenses are included in the property management fee, therefore the Group did not have water consumption record during the year ended 31 March 2019. Due to our operating locations, the Group does not encounter any significant issue in sourcing water that is fit for purpose.

The Group is dedicated in promoting behavioural changes in water usage at offices and encourage water conservation. Environmental signages on water-saving messages are posted in prominent places to remind employees to conserve water.

Use of Packaging Material

Due to the Group's business nature, it does not consume significant amount of package materials for product packaging as it has no industrial production or any factory facilities.

Environmental, Social and Governance Report

A3. The Environment and Natural Resources

General Disclosure and KPIs

Although the core business of the Group has remote impact on the environment and natural resources, we recognise the responsibility in minimising the negative environmental impacts of our business operations as an ongoing commitment to good corporate social responsibility.

The Group works tirelessly to mitigate the environmental impact of its activities through adopting industry best practices targeted at reducing natural resources consumption and effective emission management. We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

Green Working Environment

The Group will purchase second-hand office furniture as far as possible to promote an eco-friendly working environment. The Group believes that purchasing second-hand office furniture does not only contribute in reducing wastes, but also increase employees' environmental awareness.

The Group also monitors the indoor air quality at workplace on a regular basis. By adopting air purifying equipment in the workplace as well as conducting regular cleaning of air conditioning system, the Group maintains a good indoor air quality, leading to a pleasant working environment for our staff.

B. SOCIAL

B1. Employment

General Disclosure

Human resources are the foundation in supporting the development of the Group. Hence, we have established relevant policies to fulfil our vision on people-oriented management and realising the full potential of employees. The human resources managing procedures are formally documented as Employee's Handbook, covering employment, expectations of employees' conduct, employees' rights and benefits, etc.

During the year ended 31 March 2019, the Group was not aware of any material non-compliance with employment-related laws and regulations, including but not limited to "Employment Ordinance", "Disability Discrimination Ordinance", and "Labour Law of the People's Republic of China" that would have a significant impact on the Group.

Environmental, Social and Governance Report

Recruitment and Remuneration

The Group applies robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and potential to fulfil the Group's current and future needs. Employees of the Group are remunerated at a competitive level and are reviewed annually by the Company taking into account of employee's qualifications, relevant experience, position and seniority. Remuneration packages include holidays, annual leave, paid sick leave, maternity leave, marriage leave, compassionate leave, group hospitalisation and surgical insurance scheme, accident death and dismemberment insurance, and mandatory provident fund, overtime paid and discretionary bonus.

Work-life Balance

The Group recognises the importance of maintaining a healthy lifestyle and work-life balance of our employees. Thus, the Group strives to establish harmonious labour relationship and create a happy working environment and promote positive and healthy lifestyle. We support a work-life balance workplace through the regular review of employee's working environment, working hours and rest periods. We also actively engage our employees through social, employee bonding, outing, volunteer works and charity activities.

Diversity, Equal Opportunity and Anti-discrimination

The Group recognises the value of a diverse and skilled workforce, and are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive.

The Group is dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, sexual orientation.

With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace in any form.

B2. Health and Safety

General Disclosure

The Group is committed to providing and maintaining a safe and healthy environment for all our employees and contractors who visit or work on our premises and preventing work-related accidents, injuries and illnesses. We believe that employees are valuable assets of an enterprise and regards human resources as its corporate wealth.

Environmental, Social and Governance Report

The Group has established safety policies and relevant procedures on the prevention and remediation of safety accidents during work. The Human Resources and Administration Department also takes the responsibilities for employees' occupational health and safety and relevant promotions and monitoring. We will continue to invest resources and devote efforts to maintain and enhance safety management so as to reduce the risks involved in health and safety.

During the year ended 31 March 2019, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to "Occupational Safety and Health Ordinance", and "Labour Law of the People's Republic of China" in that would have a significant impact on the Group.

Safety Trainings and Inspections

Employees should attend trainings organised by the Group on occupational safety and environmental control. Emergency and evacuation procedures were established to response timely and orderly in any major safety accidents. Employees are also free to provide feedbacks on improving workplace safety, and report any potential hazards that may lead to injury or danger.

The Group also places emphasis to our employees that strict compliance with safety regulations and requirements imposed by relevant government authorities is vital to ensure that there are no accidents, specifically when they are working on-site. Therefore, the Group has formulated procedures to ensure employees who are required to work on-site are holding valid "Green Card", and requires employees to renew their "Green Card" before it expires.

B3. Development and Training

General Disclosure

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution our talents made to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through the development of training strategies that focus on creating values and serving the needs of our customers, our talents and society.

Training and Development

The Group recognises the importance of training and development for our staff to keep abreast of the latest trend in the industry. Therefore, the Group is committed to providing training opportunities by offering training programmes and seminars to staff. Such training programs include but not limited to CPD seminars on couplers, and technical seminars on Hilti anchor and post-installed rebar.

We also encourage our employees to attend trainings and obtain professional qualifications. Various training programs such as induction training and vocational trainings are organised, allowing employees to have a better understanding of the Group's business model and enhance their basic skills and expertise.

Environmental, Social and Governance Report

B4. Labour Standards

General Disclosure

Prevention of Child Labour and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with laws and conducts recruitment based on the “Employment Ordinance” and “Labour Law of the People’s Republic of China”. Personal data are collected during the process to assist the selection of suitable candidates and to verify candidates’ personal identity. The Human Resources and Administrative Department also ensures identity documents are carefully checked.

During the year ended 31 March 2019, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the “Employment Ordinance” and “Labour Law of the People’s Republic of China” that would have a significant impact on the Group.

B5. Supply Chain Management

General Disclosure

The Group highly values our relationship with subconsultant, and regards them as important business partners. All subcontractors are evaluated carefully and is subjected to regular monitoring and assessment. The Group has tried to engage subcontractors with responsible acts to society in view of green supply chain management.

Subconsultants Management

In order to ensure subconsultants have met clients’ and our requirements in regards to quality as well as environmental and safety standards, we have formulated standard and stringent procedures in selecting subconsultants. Selection of subconsultants are referenced to a number of factors including job references, performance in previous engagements, sub-consultancy services assessment on subconsultant’s corporate background and industry performance, tender price, as well as service quality. The Group has maintained a list of approved subconsultants with certain service quality. Subconsultants maybe suspended or removed from the approved list if they fail to fulfil our standards. The termination of subconsultant relationship may also be incurred by any substantial violation of environmental and labour laws and regulations. The performance of subconsultants is regularly examined.

Environmental, Social and Governance Report

Fair and Open Tendering

The Group has also formed rules and procedures to ensure that subconsultants could participate in tendering in an open and fair way. The Group stresses the integrity of its subconsultants and only select subconsultants with good business track records. The Group should not have differentiated or discriminated treatment on certain subconsultants; it would strictly monitor and prevent all kinds of business bribery; and employees or personnel having any interest relationship with the subconsultants should not be involved in the related business activity.

B6. Product Responsibility

General Disclosure

Achieving and maintaining high quality standard for projects are utmost important for sustainable growth of the Group. We believe completing works that meet or exceed our customer's requirements is crucial for job references and future business opportunities. In order to ensure that we deliver high quality services and sustainable projects to our customers, the process of each project is controlled and monitored regularly.

During the year ended 31 March 2019, we were not aware of any incidents of non-compliance with laws and regulations, including but not limited to the "Copyright Ordinance", "Personal Data (Privacy) Ordinance", and "Patent Law of the People's Republic of China" that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Quality Management

We have established a Quality Management System in accordance with the requirements of ISO 9001 to develop a sustainable performance-oriented culture to pursue continuous improvement on quality rather than adopting a short-term and project-based approach.

To ensure our services are complied with required standards, quality plans will be prepared for each project, setting out requirements for quality control, inspection and testing, process implementation and verification. The quality plan will be updated as necessary.

Customer Service

The Group has formulated a set of procedures in accordance to ISO 9001 in handling customers' feedbacks or complaints in a professional manner. Senior management are responsible to implement communication arrangements for customers in relation to service information, enquiries, and customer feedback and complaints. The Group will review feedbacks or complaints accordingly, and take corrective actions if any problems are found.

Environmental, Social and Governance Report

Intellectual Property (“IP”) Rights

To protect third party IP rights and comply with relevant licensing terms when software is used, employees are prohibited from duplicating, installing, or using software in violation of its copyright or license terms as part of the Group’s information security policy. Employees in violation of the policy will be subject to disciplinary action. The Group will also notify the manufacturers if any illegal or unauthorised use of their hardware and/or software is noticed.

Protection of Privacy

The Group recognises the protection of clients’ and partners’ privacy is the key for our success. Therefore, protecting and maintaining customers’ privacy always remain in the first priority of the Group. We have established security measures to provide adequate protection and encryption for all data and information upon operation. At the same time, we have established strict policies for the collection and use of personal data.

Advertising and Labelling

Due to the Group’s business nature, the business operation of the Group does not involve in any advertising and labelling related matters.

B7. Anti-corruption

General Disclosure

The Group values and upholds integrity, honesty and fairness. We strive to achieve high standards of ethics in our business operations. Fraudulent events such as corruption, bribery, and collusion are strictly prohibited. We have already developed adequate codes and policies to ensure all employees, including directors, adhere to the highest standards of business, professional and ethical practices.

During the year ended 31 March 2019, the Group did not notify any material non-compliance with the relevant laws and regulations that have significant impact on the Group, including but not limited to “Prevention of Bribery Ordinance” and “Company Law of the People’s Republic of China” of bribery, extortion, fraud and money laundering.

Anti-money Laundering

An assessment of the risk of money laundering in the Group’s operations will be conducted by the Finance Department annually. Due diligence will be conducted by the responsible departments before the acceptance of business counterparties. For any indicators of suspicious activities, the Financial Manager will report to corresponding independent parties immediately.

Environmental, Social and Governance Report

Whistle-blowing Mechanism

The Group has established a whistle-blowing system and implemented the Whistle-blowing Policy. This allows stakeholders to report negligence, corruption, bribery and other misconduct to the Group. The Group will process the reports promptly, fairly and confidentially.

B8. Community Investment

General Disclosure

Corporate Social Responsibility

The Group believes in shouldering the responsibility of contributing the society. As a responsible corporate citizen, we are committed to embolden and support the public by means of social participation and contribution as part of its strategic development. We hope to foster employees' sense of social responsibility by encouraging them to participate in charitable activities during their work and spare time to make greater contributions to the community. We also believe participating in activities that repay the society can increase our employees' civic awareness, while establishing correct values. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

Environmental, Social and Governance Report

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions – GHG Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Green Working Environment

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

Corporate Governance Report

The Board is pleased to present this corporate governance report for the year ended 31 March 2019. This report highlights the key corporate governance practices of the Company, and explains the principles and the applications as well as deviations (if any) of the CG Code.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the CG Code with an exception of deviation from Code Provision A.1.8 of the CG Code as explained below:

Under Code Provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged an insurance cover in respect of Directors' liability as the Board considers that the industry, business and financial situation of the Company are currently stable, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of Shareholders and other stakeholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprised six Directors, including three executive Directors, namely Dr. Chan Yin Nin, Mr. Kwong Po Lam and Ms. Su Xiaoyan, and three independent non-executive Directors, namely Mr. Choy Wai Shek, Raymond, Mr. Sze Kyran and Ms. Chu Moune Tsi, Stella.

Dr. Chan Yin Nin is the chairman of the Board.

Corporate Governance Report

RESPONSIBILITIES OF THE BOARD

The Board is entrusted with the overall responsibility for promoting the success of the Company by directing and supervising the Company's business and affairs. All the Directors should make decisions objectively in the interests of the Company. The Board makes decisions on certain important matters, including annual business plans, annual financial budgets, annual remuneration proposals, quarterly, interim and annual financial reports, declaration and payment of dividends, and significant acquisitions and disposals. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

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

The Company has an experienced and committed senior management team. Most of the executive Directors and our senior management have been serving the Group for an average of 10 years. The executive Directors are also interested in our business outcomes and thus their own interests align with that of the Company. The committed and continued service of our senior management team allows the Group to execute our business strategy with long term vision and objective without interruption. They are familiar with the operations of our Group, and are responsible for the quality control measures and supervision of our operations in all aspects, including cooperation between our departments and offices in different locations.

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

CHAIRMAN AND CHIEF EXECUTIVE

The roles and duties of the chairman and the chief executive of the Company are carried out by different individuals to achieve a balance of authority and power, which is in compliance with Code Provision A.2.1 of the CG Code.

Currently, Dr. Chan Yin Nin takes up the role of chairman of the Board and Mr. Kwong Po Lam takes up the role of managing director of the Company. With the support of the senior management, the chairman and managing director are also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

Corporate Governance Report

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) during the year ended 31 March 2019. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee reviews the Board’s composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy annually.

The Nomination Committee has considered an appropriate balance of diversity of the Board be maintained and neither the Board nor the Nomination Committee has set any measurable objective implementing the Board Diversity Policy. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness during the year ended 31 March 2019.

BOARD MEETINGS

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year among other matters, review past financial and operating performance and discuss the Group’s direction and strategy. Since the Company was listed on 17 September 2018, only two Board meetings were held during the year ended 31 March 2019 to review interim results and third quarterly results. The attendance record of each Director at the Board meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings
Executive Directors	
Dr. Chan Yin Nin (<i>Chairman</i>)	2/2
Mr. Kwong Po Lam (<i>Managing Director</i>)	2/2
Ms. Su Xiaoyan (<i>appointed on 6 June 2019</i>)	N/A
Independent non-executive Directors	
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	2/2
Mr. Sze Kyran, <i>MH</i>	2/2
Ms. Chu Moune Tsi, Stella	2/2

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct applicable to employees and Directors, and reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report. The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

All Directors (including executive Directors, non-executive Directors and independent non-executive Directors) have been appointed for an initial term of three years commencing from the date of appointment subject to retirement and re-election in accordance with the Articles. Each independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company has considered all independent non-executive Directors to be independent.

The Board has recommended the re-appointment of the retiring Directors standing for re-election at the Annual General Meeting. Details of the information of the retiring Directors standing for re-election are set out in the circular accompanying the notice of the Annual General Meeting.

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 5.05 of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his/her independence of the Company and the Company has considered each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 5.09 of the GEM Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years commencing from 27 August 2018 subject to retirement and re-election in accordance with the Articles.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are aware of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. All Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

To assist Directors' continuous professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

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

Name of Directors	Type of trainings
Executive Directors	
Dr. Chan Yin Nin (<i>Chairman</i>)	i and ii
Mr. Kwong Po Lam (<i>Managing Director</i>)	i and ii
Ms. Su Xiaoyan (<i>appointed on 6 June 2019</i>)	N/A
Independent non-executive Directors	
Ms. Chu Moune Tsi, Stella	i and ii
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	i and ii
Mr. Sze Kyran, <i>MH</i>	i and ii

- i. reading journals and newspaper regarding updates on corporate governance affairs and directors' duties and responsibilities.
- ii. attending training/seminars/conferences regarding updates on laws, rules and regulations, or management or other professional skills arranged by professional firms/organisations.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Code Provision C.3.3 and C.3.7 of the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran. The chairlady of the Audit Committee is Ms. Chu Moune Tsi, Stella, who has appropriate professional qualifications as required under the GEM Listing Rules.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditors; review the financial statements of the Company and areas involving judgements in respect of financial reporting; and oversee internal control procedures of the Company. All members of the Audit Committee are appointed by the Board.

The works performed by the Audit Committee during the year ended 31 March 2019 are summarised as below:

- (1) reviewed the Group's interim report and quarterly report for the periods ended 30 September 2018 and 31 December 2018, respectively, before recommending them to the Board for approval;
- (2) reviewed the accounting principles and practices adopted by the Company and discussed with the external auditor on the audit matters in relation to the statutory audit for the year ended 31 March 2019;
- (3) reviewed the independence and objectivity of external auditor; and
- (4) reviewed the Group's internal control, risk management, financial reporting and auditing matters.

Corporate Governance Report

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

Name of Directors	Number of attendance/ number of Audit Committee meetings
Independent non-executive Directors	
Ms. Chu Moune Tsi, Stella (<i>Chairlady</i>)	3/3
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	3/3
Mr. Sze Kyran, <i>MH</i>	3/3

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with Code Provision B.1.2 of the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises two executive Directors, namely Dr. Chan Yin Nin and Mr. Kwong Po Lam, and three independent non-executive Directors, namely Mr. Sze Kyran, Ms. Chu Moune Tsi, Stella and Mr. Choy Wai Shek, Raymond, with Mr. Sze Kyran as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration; and ensure none of the Directors determine their own remuneration.

The works performed by the Remuneration Committee during the year ended 31 March 2019 are summarised below:

- (1) reviewed the remuneration of the Directors and senior management for the year ended 31 March 2019.

Corporate Governance Report

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

Name of Directors	Number of attendance/ number of Remuneration Committee meetings
Executive Directors	
Dr. Chan Yin Nin	1/1
Mr. Kwong Po Lam	0/1
Independent non-executive Directors	
Mr. Sze Kyran, <i>MH (Chairman)</i>	1/1
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	1/1
Ms. Chu Moune Tsi, Stella	1/1

The emolument payable to Directors depends on their respective contractual terms under the service contracts or the appointment letters, and as recommended by the Remuneration Committee. The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and remuneration of independent non-executive Directors. Details of the Directors' emolument are set out in note 12 to the consolidated financial statements.

Pursuant to Code Provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 March 2019 is as follows:

	Number of employees
Not exceeding HK\$500,000	—
HK\$500,001 to HK\$1,000,000	5
HK\$1,000,001 to HK\$1,500,000	2

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with Code Provision A.5.2 of the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Nomination Committee currently comprises two executive Directors, namely Dr. Chan Yin Nin and Mr. Kwong Po Lam, and three independent non-executive Directors, namely Mr. Choy Wai Shek, Raymond, Mr. Sze Kyran and Ms. Chu Moune Tsi, Stella, with Mr. Choy Wai Shek, Raymond, as the chairman of the Nomination Committee.

Corporate Governance Report

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships with reference to the Board Diversity Policy; assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee and the Board, when forming their recommendations on the proposals on re-election of retiring Director(s) and election of new Director(s), have been following the Company's nomination policy which sets out a mechanism for nominating talented and capable person(s) to lead the Company. The nomination policy can be viewed on the Company's website at www.wcce.hk.

The works performed by the Nomination Committee during the year ended 31 March 2019 are summarised below:

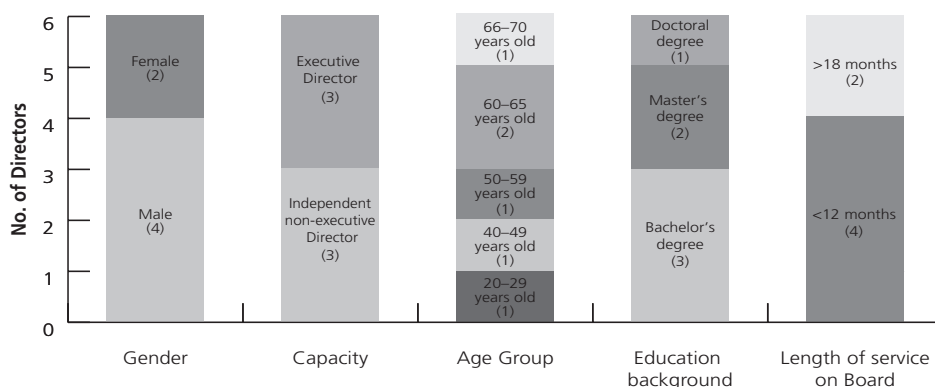
- (1) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- (2) recommended on proposed changes to the Board to complement the Company's corporate strategy; and
- (3) reviewed the Board Diversity Policy.

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

Name of Directors	Number of attendance/ number of Nomination Committee meetings
Executive Directors	
Dr. Chan Yin Nin	1/1
Mr. Kwong Po Lam	0/1
Independent non-executive Directors	
Mr. Choy Wai Shek, Raymond, <i>MH, JP (Chairman)</i>	1/1
Ms. Chu Moune Tsi, Stella	1/1
Mr. Sze Kyran, <i>MH</i>	1/1

Corporate Governance Report

An analysis of the Board's diversity as at the date of this report is set out as follows:



The Nomination Committee considered an appropriate balance of diversity of the Board has been maintained during the year.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The statements by external auditor, Wellink CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group for the year ended 31 March 2019 are set out in the independent auditor's report on pages 74 to 79 of this annual report.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

The Board oversees management in the establishment, implementation and monitor of the Group's internal control system to safeguard Shareholders' interests and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The 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 misstatement or losses.

During the year, the Group has complied with Principle C.2 of the CG Code by establishing and maintaining appropriate and effective risk management and internal control systems. Management is responsible to establish, implement and monitor the Group's internal control system underpinning the risk management framework. All employees are committed to implement the risk management framework into the daily operation. The Board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee and senior management. Main features of the risk management and internal control systems are described below:

Risk Management System

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group adopts a risk management system which manages the risk associated with its businesses and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal Control System

The Company has an internal control system in place. The system enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the system are shown as follows:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal controls across the Group.

Corporate Governance Report

- *Risk Assessment*: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities*: Actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication*: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring*: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

The Group has appointed Ample Capital Limited as our compliance adviser to provide advice and guidance to the Company in respect of compliance with the GEM Listing Rules applicable laws.

The Group has engaged Wellink Corporate Advisory Limited, an independent external risk advisory firm, to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems during the year. During the year ended 31 March 2019, a review of the effectiveness of the Group's risk management and internal control systems was conducted by Wellink Corporate Advisory Limited, and the review results were summarised and reported to the Audit Committee and the Board.

For the year ended 31 March 2019, the Board has conducted a review of the effectiveness of the Group's risk management and internal control systems through the Audit Committee's review covering all material controls, including financial, operational and compliance controls, and is of the view that the Group's risk management and internal control systems are effective and adequate to safeguard the interests of Shareholders and the Company as a whole.

Corporate Governance Report

Objectives of Risk Management and Internal Control

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

Handling and Dissemination of Inside Information

The Board acknowledges its responsibilities under the SFO and the Listing Rules that inside information should be announced immediately when it is the subject of a decision. The inside information policy of the Company sets out guidelines and procedures for the Directors and relevant officers of the Group to ensure inside information of the Group is to be disseminated to the public on an equal basis and in timely manner. Directors and relevant officers in possession of potential inside information and/or inside information of the Group are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain the information confidential. The Board will update and review the policy as and when necessary in light of changes in circumstances and changes in the Listing Rules, Part XIVA of the SFO and relevant statutory and regulatory requirements from time to time.

AUDITOR'S REMUNERATION

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

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

	2019 HK\$'000	2018 HK\$'000
Statutory audit services	400	500
Non-audit services*	250	–

* The non-audit services were mainly for reviewing interim and third quarterly results.

Corporate Governance Report

COMPANY SECRETARY

Mr. Chan Kwok Wai was appointed as the company secretary of the Company in July 2018. Mr. Chan has taken no less than 15 hours of relevant professional training for the year ended 31 March 2019. The biographical details of Mr. Chan are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report.

SHAREHOLDERS’ RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for Shareholders to convene an extraordinary general meeting of the Company (the “**EGM**”) are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

- (a) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the “**Eligible Shareholder(s)**”) carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the “**Company Secretary**”), to require an EGM to be called by the Board for the transaction of any business specified in such requisition;
- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Floor 9, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong, or the Hong Kong Branch Share Registrar for the attention of the Board and/or the Company Secretary;
- (c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company’s expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Shareholders;

Corporate Governance Report

- (d) the Requisition will be verified with the Hong Kong Branch Share Registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;
- (e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

PROCEDURES FOR RAISING ENQUIRIES

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be first directed to the Company Secretary at the Company's principal place of business in Hong Kong at Floor 9, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Floor 9, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong by post for the attention of the Board and/or the Company Secretary.

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

Corporate Governance Report

INVESTORS RELATIONS

The Board recognises the importance of good communications with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its Shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (www.wcce.hk) has provided an effective communication platform to the public and the Shareholders.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. The Company adopted the amended and restated Memorandum and Articles of Association of the Company on 27 August 2018 to comply with the listing requirements in Hong Kong.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders (namely Dr. Chan Yin Nin, Mr. Kwong Po Lam and Manning Properties) has made an annual declaration to the Company that for the year ended 31 March 2019, he/it has complied with the terms of non-compete undertakings (“**Non-Compete Undertakings**”) given in favour of the Company which are contained in the Deed of Non-Competition. Details of the Non-Compete Undertakings are set out in the section headed “Relationship with our Controlling Shareholders” in the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings under the Deed of Non-Competition and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings under the Deed of Non-Competition.

Directors' Report

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

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability on 25 August 2017 under the Companies Law.

Pursuant to the Reorganisation now comprising the Group completed on 20 November 2017 to rationalise the Group's structure in preparation of the Listing, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 17 September 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 required by Schedule 5 to the Hong Kong Companies Ordinance is set out in the section headed "Management Discussion and Analysis" on pages 6 to 11 of this annual report.

KEY RISKS AND UNCERTAINTIES

The Group believes that there are certain risks involved in our operations, many of which are beyond our control. The relatively material risks encompass the following:

- the Group relies heavily on our professional staff, in particular, our management team, in operating the business;
- our continued success depends on our responsiveness to our client's preference;
- the Group determines the tender price based on, among other things, the estimated time and costs involved in a project, which may deviate from the actual time and costs involved;
- negative publicity or damage to our business reputation may have a potential adverse impact on our project engagement;

Directors' Report

- the Group's revenue is mainly derived from projects which are non-recurring in nature;
- the Group is subject to potential exposure to professional liabilities;
- the service fee may not be paid in full due to our clients' projects not being completed as originally planned;
- the Group exposes to the credit risk of trade receivables and may experience increasing balance of such receivables and longer trade receivables' turnover days in the future; and
- mismatch in liquidity and cashflow associated with net bank overdraft position mainly caused by the prolonged trade receivables settlement cycle as our Group generally offered no credit terms to our clients.

Details of these risks are set out in the section headed "Risk factors" in the Prospectus.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2019 and up to the date of this report, as far as the Company is aware, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment from its business activities. The Group has established measures and created certain environmental framework to minimise and monitor the environmental impacts attributable to its operations. The Group has implemented the green office practices such as acquisition of second-hand office furniture as far as possible, use of recycled paper for printing and copying, and switching off idling lightings and electrical appliances to reduce energy consumption.

Further discussions on the environmental policies and performances of the Company are set out in the Environmental, Social and Governance Report on pages 24 to 42 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

The Group treasures to maintain a good relationship with its customers. We are committed to offering a broad and diverse range of inspiring, value-for-money and good quality designs to our customers.

Directors' Report

The Group maintains a fair, safe and ethical approach in its day-to-day operation towards its numerous and diversified. To comply with the laws and regulations of its operating countries, the Group has established stringent internal controls to procuring services through fair and unbiased tender process. The selection of subconsultants will be based on competitive pricing, specifications and standards and service quality as well as service support.

DIVIDEND POLICY

The Company has adopted a dividend policy, the objective of which is to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the Articles. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this annual report.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled on Friday, 2 August 2019. In order to determine entitlements to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 30 July 2019 to Friday, 2 August 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Branch Share Registrar not later than 4:30 p.m. on Monday, 29 July 2019.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 148 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Directors' Report

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2019 are set out in note 23 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

USE OF PROCEEDS FROM THE SHARE OFFER

As at 31 March 2019, the Company has utilised the net proceeds raised from the Share Offer in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended uses and utilised amount are set out on page 11 of this annual report.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 27 August 2018 (the "**Adoption Date**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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

(a) Purpose

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

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

Directors' Report

(b) The participants of the Share Option Scheme

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

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

(c) Total number of Shares available for issue

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 96,000,000 Shares, representing 10% of the issued Shares of the Company as at the date of this annual report.

(d) Maximum entitlement of each Eligible Participant

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

Options granted to any of the Directors, chief executive or Substantial Shareholder of the Company or an independent non-executive Director, or any of their respective associates (as defined in the GEM Listing Rules) in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the total number of Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, must be approved by the Shareholders in general meeting in advance.

(e) Minimum vesting period

No minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

Directors' Report

(f) Payment on acceptance of the option

Participants of the Share Option Scheme are required to submit to the Company a duly signed offer letter within 21 days from the offer date together with a payment in favour of the Company of HK\$1 as the consideration of the grant.

(g) Basis of determining the exercise price

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

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the 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.

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

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the Adoption Date. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date. The remaining life of the Share Option Scheme is approximately 9 years.

No share options has been granted during the year ended 31 March 2019 and there were no share options outstanding as at 31 March 2019.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 82 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to the Shareholders, comprising share premium and retained profits, calculated in accordance with the Companies Law amounted to approximately HK\$31.3 million (2018: 3.9 million).

CHARITABLE DONATIONS

During the year ended 31 March 2019, the Group did not make any charitable or other donations.

MAJOR CUSTOMERS AND SUBCONSULTANTS

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

Revenue

- | | |
|---|-------|
| - The largest customer | 9.7% |
| - The total of the five largest customers | 23.1% |

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

Cost of services

- | | |
|--|-------|
| - The largest subconsultant | 19.1% |
| - The total of the five largest subconsultants | 63.3% |

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest subconsultants during the year ended 31 March 2019.

Directors' Report

DIRECTORS

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

Executive Directors

Dr. Chan Yin Nin (*Chairman*) (appointed on 25 August 2017)

Mr. Kwong Po Lam (*Managing Director*) (appointed on 25 August 2017)

Ms. Su Xiaoyan (appointed on 6 June 2019)

Independent non-executive Directors

Ms. Chu Moune Tsi, Stella (appointed on 27 August 2018)

Mr. Choy Wai Shek, Raymond, *MH, JP* (appointed on 27 August 2018)

Mr. Sze Kyran, *MH* (appointed on 27 August 2018)

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 84(1) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Dr. Chan Yin Nin, Mr. Kwong Po Lam, Ms. Su Xiaoyan, Mr. Choy Wai Shek, Raymond, Mr. Sze Kyran and Ms. Chu Moune Tsi, Stella will retire and, being eligible, offer themselves for re-election at the Annual General Meeting pursuant to Article 83(3) of the Articles.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 12 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of appointment until terminated by not less than three months' notice in writing served by either party on the other. Independent non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

Directors' Report

None of the Directors proposed for re-election at the Annual General Meeting has entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

PERMITTED INDEMNITY PROVISION

The Articles provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such provision was in force during the year ended 31 March 2019 and remains in force as at the date of this annual report.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 March 2019.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole and any substantial part of the Group was entered into or existed during the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 and note 13 to the consolidated financial statements.

Directors' Report

EMOLUMENT POLICY

Remuneration is mainly determined with reference to market trends, the Group's operating results and the performance, qualification and experience of individual employee. Remuneration packages mainly consisted of basic salary, medical coverage, overtime allowance and travelling allowance as well as discretionary bonus. In appreciation of continuing support of the Group's employees, a bonus payment to employees was made during the year.

The Group offers competitive remuneration and benefit package to our employees. Further, the Company has adopted the Share Option Scheme to provide incentive or reward to the Group's employees for their contributions to promote the long-term growth of the Group.

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group. The remuneration of the Directors are mainly determined by reference to the Group's operating results, comparable market statistics, the responsibilities and duties assumed by each Director as well as their individual performance.

PENSION SCHEME

In Hong Kong, the Group participates in Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs per employee, at a maximum of HK\$1,500 per month for the year ended 31 March 2019.

The Group also participates in the local retirement or social security schemes in countries or locations where the Group operates. The Group is required to make defined contributions to the schemes at rates calculated as a certain percentage of the monthly payroll or as stipulated by the relevant government authorities.

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors, the Controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group, and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2019.

Directors' Report

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and the Associated Corporation

As at 31 March 2019, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Directors	Capacity/Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company ^(Note 2)
Dr. Chan Yin Nin ("Dr. Chan") ^(Note 1)	Interest in a controlled corporation	471,072,000 ordinary Shares	49.07%
Mr. Kwong Po Lam ("Mr. Kwong") ^(Note 1)	Interest in a controlled corporation	471,072,000 ordinary Shares	49.07%

Notes:

(1) Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds approximately 49.07% of the total share capital of the Company. Dr. Chan and Mr. Kwong, as the Concerted Group, restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 471,072,000 Shares held by Manning Properties Limited.

(2) Based on the number of issued Share of 960,000,000 as at 31 March 2019.

Directors' Report

(ii) Interests in shares of the associated corporation of the Company

Name of Directors	Name of associated corporation	Capacity/Nature of interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation
Dr. Chan	Manning Properties Limited	Beneficial owner	7,500 ordinary shares	68.2%
Mr. Kwong	Manning Properties Limited	Beneficial owner	3,500 ordinary shares	31.8%

Note: Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds 471,072,000 Shares, representing approximately 49.07% of the total share capital of the Company.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Report

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

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

Name	Capacity/Nature of interest	Number and class of Shares	Long/short position	Approximate percentage of shareholding in the total issued share capital of the Company ^(Note 4)
Manning Properties Limited ^(Note 1)	Beneficial owner	471,072,000 ordinary Shares	Long	49.07%
Ms. Julia Gower Chan ^(Note 2)	Interest of spouse	471,072,000 ordinary Shares	Long	49.07%
Ms. Leung Kwai Ping ^(Note 3)	Interest of spouse	471,072,000 ordinary Shares	Long	49.07%
Ms. Zhang Yanhong	Beneficial owner	91,298,000 ordinary Shares	Long	9.51%

Notes:

- (1) Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds approximately 49.07% of the total share capital of the Company. As the Concerted Group, Dr. Chan and Mr. Kwong restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 471,072,000 Shares held by Manning Properties Limited.
- (2) Ms. Julia Gower Chan is the spouse of Dr. Chan. By virtue of the SFO, Ms. Julia Gower Chan is deemed to be interested in the Shares interested by Dr. Chan.
- (3) Ms. Leung Kwai Ping is the spouse of Mr. Kwong. By virtue of the SFO, Ms. Leung Kwai Ping is deemed to be interested in the Shares interested by Mr. Kwong.
- (4) Based on the number of issued Shares of 960,000,000 as at 31 March 2019.

Directors' Report

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2019 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights.

INTEREST OF COMPLIANCE ADVISER

As at 31 March 2019, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Details of the significant related party transactions of the Group for the year ended 31 March 2019 undertaken in the normal course of business are provided under note 27(b) to the consolidated financial statements. None constitutes a discloseable connected transaction as defined under the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

From publicly available information and as far as the Directors are aware, the Company has maintained a sufficient public float since Listing and has continued to maintain such a float as at the date of this annual report.

AUDITOR

Wellink CPA Limited was appointed by the Directors as the auditor of the Company for the year ended 31 March 2019. The Company has not changed its auditor since the Listing Date and up to the date of this report. Wellink CPA Limited will retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the Annual General Meeting. The consolidated financial statements for the year ended 31 March 2019 have been audited by Wellink CPA Limited.

Directors' Report

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant event occurred after the year ended 31 March 2019.

By order of the Board
WAC Holdings Limited

Dr. Chan Yin Nin
Chairman

Hong Kong, 24 June 2019

Independent Auditor's Report

Wellink CPA Limited

匯聯會計師事務所有限公司

TO THE SHAREHOLDERS OF WAC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of WAC Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on page 80 to 147, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

Key Audit Matter

Revenue recognition from contracts with customers

Refer to note 7 to the consolidated financial statements

We identified the revenue recognition on contract work as a key audit matter due to the significant judgments exercised by the management in determining the estimation of contract revenue and contract costs using input method.

For the year ended 31 March 2019, the Group recognised revenue from comprehensive structural and geotechnical engineering consultancy services amounting to approximately HK\$64,629,000. The Group recognises contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition involves a significant degree of judgement, with estimates being made to assess the total contract costs and stage of completion of the contract and to provide appropriately for loss making contracts. Notwithstanding that the management reviews and revises the estimates of contract costs for the comprehensive structural and geotechnical engineering consultancy services as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised for the financial year.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to revenue recognition on contract work included:

- Understanding the procedures and relevant controls of the Group in preparing and updating budgets for the projects and recording contract costs.
- Agreeing budgeted costs to respective project budgets, on a sample basis.
- Evaluating reasonableness of contract budgets through discussion with management about preparation of those budgets.
- Testing contract costs incurred to date and estimated total costs to underlying supporting evidence, on a sample basis.
- Assessing reliability of contract budgets by comparing actual contract costs against budgeted costs of completed projects.
- Checking the calculations of percentage of completion of individual contract and the amounts of contract revenue and gross profit recognised.

We consider that the Group's revenue recognition from contracts with customers is supported by the available evidence.

Independent Auditor's Report

Key Audit Matter

Impairment assessment of trade receivables and contract assets

Refer to notes 17 and 18 to the consolidated financial statements

We identified the 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 estimation 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 amounted to approximately HK\$16,625,000 and HK\$13,146,000, which represented approximately 21% and 17% of total assets of the Group, respectively. As explained in note 3 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("**HKFRS 9**").

As disclosed in note 6 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, ageing and past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually.

As disclosed in note 6(a) to the consolidated financial statements, the Group recognised an additional amount of approximately HK\$1,374,000 of impairment of trade receivables and contract assets. The Group's lifetime ECL on trade receivables and contract assets as at 31 March 2019 amounted to approximately HK\$2,917,000 and approximately HK\$166,000, 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 methodology for ECL model adopted by the Group;
- Testing the integrity of information used by management to develop the provision matrix as at 1 April 2018 and 31 March 2019 on a sample basis;
- 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 their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade receivables and contract assets into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and
- Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in notes 5, 6(a), 17 and 18 to the consolidated financial statements.

We consider that the Group's impairment assessment of trade receivables and contract assets is supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's 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 performed, we conclude that there is a material misstatement of these other information, we are required to report the fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee ("**Audit Committee**") are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

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

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

WELLINK CPA LIMITED

Certified Public Accountants

Chan Yan Ting

Practising Certificate number P06380

Hong Kong, 24 June 2019

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue			
	7	64,629	69,089
Cost of services		(40,833)	(38,616)
Gross profit		23,796	30,473
Other income	8(a)	689	323
Other losses, net	8(b)	(6)	(812)
Listing expenses		(5,427)	(11,023)
General and administrative expenses		(18,387)	(14,108)
Finance costs	9	(147)	(306)
Profit before taxation	10	518	4,547
Income tax expenses	11	(937)	(2,458)
(Loss)/profit for the year attributable to owners of the Company		(419)	2,089
Other comprehensive income/(expenses)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		89	(154)
Other comprehensive income/(expenses) for the year, net of tax		89	(154)
Total comprehensive (expenses)/income for the year attributable to owners of the Company		(330)	1,935
(Loss)/earnings per share attributable to owners of the Company			
– basic and diluted (HK cents)	14	(0.05)	0.35

Consolidated Statement of Financial Position

		At 31 March	
	Notes	2019	2018
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	15	725	612
Deposits paid		782	782
Deferred tax assets	16(b)	92	74
		<u>1,599</u>	<u>1,468</u>
Current assets			
Trade and other receivables	17	19,994	25,873
Contract assets	18	13,146	–
Amounts due from customers for contract work	19	–	12,150
Income tax recoverable	16(a)	926	374
Bank balances and cash	20	42,219	6,633
		<u>76,285</u>	<u>45,030</u>
Current liabilities			
Trade and other payables	21	3,367	7,323
Contract liabilities	22	3,294	–
Amounts due to customers for contract work	19	–	1,986
Amounts due to controlling shareholders		–	389
Bank borrowings	23	–	8,875
Income tax payable	16(a)	275	–
		<u>6,936</u>	<u>18,573</u>
Net current assets		<u>69,349</u>	<u>26,457</u>
Total assets less current liabilities		<u>70,948</u>	<u>27,925</u>
NET ASSETS		<u>70,948</u>	<u>27,925</u>
CAPITAL AND RESERVES			
Share capital	24	9,600	10
Reserves		61,348	27,915
Equity attributable to owners of the Company		<u>70,948</u>	<u>27,925</u>

The consolidated financial statements on page 80 to 147 were approved and authorised for issue by the board of Directors on 24 June 2019 and are signed on its behalf by:

CHAN Yin Nin
Director

KWONG Po Lam
Director

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Legal reserves HK\$'000	Translation reserves HK\$'000	Retained earnings HK\$'000	
At 1 April 2017	647	–	–	49	230	10,057	10,983
Profit for the year	–	–	–	–	–	2,089	2,089
Other comprehensive expenses	–	–	–	–	(154)	–	(154)
Total comprehensive (expenses)/income	–	–	–	–	(154)	2,089	1,935
Arising from reorganisation	(647)	–	647	–	–	–	–
Issue of new shares of the Company (Note 24)	10	14,997	–	–	–	–	15,007
At 31 March 2018	<u>10</u>	<u>14,997</u>	<u>647</u>	<u>49</u>	<u>76</u>	<u>12,146</u>	<u>27,925</u>
Loss for the year	–	–	–	–	–	(419)	(419)
Other comprehensive income	–	–	–	–	89	–	89
Total comprehensive income/(expense)	–	–	–	–	89	(419)	(330)
Shares issued pursuant to the Capitalisation Issue (Note 24)	6,710	(6,710)	–	–	–	–	–
Shares issued pursuant to the Share Offer (Note 24)	2,880	54,720	–	–	–	–	57,600
Share issue expenses	–	(14,247)	–	–	–	–	(14,247)
At 31 March 2019	<u>9,600</u>	<u>48,760</u>	<u>647</u>	<u>49</u>	<u>165</u>	<u>11,727</u>	<u>70,948</u>

Consolidated Statement of Cash Flows

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	518	4,547
Adjustments for:		
Finance costs	147	306
Depreciation	292	235
	<hr/>	<hr/>
Operating cash flows before changes in working capital	957	5,088
Changes in working capital:		
(Increase) in contract assets	(13,189)	–
Increase in contract liabilities	3,295	–
Decrease/(increase) in amounts due from customers for contract work	12,150	(858)
Decrease in amounts due to customers for contract work	(1,986)	(5,491)
Decrease in trade and other receivables	2,376	426
(Decrease)/increase in trade and other payables	(3,874)	2,313
	<hr/>	<hr/>
Cash (used in)/generated from operations	(271)	1,478
Income tax paid	(1,228)	(8,614)
Interest paid	(147)	(306)
	<hr/>	<hr/>
Net cash used in operating activities	(1,646)	(7,442)

Consolidated Statement of Cash Flows

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Investing activities		
Purchase of property, plant and equipment	(423)	(75)
Net cash used in investing activities	<u>(423)</u>	<u>(75)</u>
Financing activities		
Issue of new shares of the Company	–	15,007
New bank loans raised	500	11,735
Repayment of bank loans	(9,375)	(4,854)
Net proceed from Share Offer	57,600	–
Repayment to controlling shareholders	(389)	(3,723)
Payment of Listing expenses	(10,636)	(3,315)
Net cash generated from financing activities	<u>37,700</u>	<u>14,850</u>
Net increase in cash and cash equivalents	35,631	7,333
Cash and cash equivalents at beginning of the year	6,633	(515)
Effect of foreign exchange rate changes	<u>(45)</u>	<u>(185)</u>
Cash and cash equivalents at end of the year	<u>42,219</u>	<u>6,633</u>

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

WAC Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2017 under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 9/F., No. 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong. The ultimate holding company of the Company is Manning Properties Limited (“**Manning Properties**”), a company incorporated in the British Virgin Islands (“**BVI**”), which is controlled by Dr. Chan Yin Nin (“**Dr. Chan**”) and Mr. Kwong Po Lam (“**Mr. Kwong**”).

The Company is an investment holding company and its shares were listed on the GEM of the Stock Exchange since 17 September 2018. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND REORGANISATION

Pursuant to a reorganisation of the Company and its subsidiaries now comprising the Group which was completed on 20 November 2017 to rationalise the Group’s structure (the “**Reorganisation**”) in preparation of the listing of the shares of the Company on the GEM of The Hong Kong Stock Exchange Limited (the “**Listing**”), the Company became the holding company of the Group. Details of the Reorganisation are fully explained in the paragraphs headed “Reorganisation” of the section headed “History, Reorganisation and Group Structure” in the prospectus of the Company dated 31 August 2018 (the “**Prospectus**”) in connection with the Listing.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group in respect of the year ended 31 March 2018 are prepared as if the current group structure immediately after the Reorganisation had been in existence throughout the year ended 31 March 2018 or since their respective dates of incorporation or establishment to 31 March 2018 if this is the shorter period.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted for the first time the new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that have been issued and effective for Group’s financial year beginning on 1 April 2018. Of these, the following developments are relevant to the Group’s consolidated financial statements:

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
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Except as described below, the adoption of the new and amended 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 the disclosures set out in these consolidated financial statements.

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

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 retained profits (or other components of equity, as appropriate) and comparative figures 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 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. 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.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The adoption of HKFRS 15 resulted in the following changes to the Group’s accounting policies:

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

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 and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and 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.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 4 and note 7.

Summary of effects arising from initial application of HKFRS 15

Prior to the application of HKFRS 15, the Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period and measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, in accordance with HKAS 11. This is principally consistent with the “input method” under HKFRS 15, which is adopted by the Group after the coming into effect of HKFRS 15 on 1 April 2018. Accordingly, the application of HKFRS 15 does not have material impact on the retained profits of the Group as at 1 April 2018.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

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

Impact on the consolidated statement of financial position

The following table summarises the impact of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 1 April 2018 for each of the line item affected. Line items that were not affected by the changes have not been included:

		Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
	Notes	HK\$'000	HK\$'000	HK\$'000
Current Assets				
Contract assets	(a)	—	12,150	12,150
Amounts due from customers for contract work	(a)	12,150	(12,150)	—
Current Liabilities				
Contract liabilities	(b)	—	1,986	1,986
Amounts due to customers for contract work	(b)	1,986	(1,986)	—

Notes:

- (a) At the date of initial application of HKFRS 15, the amounts due from customers for contract work amounting to HK\$12,150,000 was related to the Group’s right to consideration for work completed and not billed. It was reclassified to contract assets upon application of HKFRS 15.
- (b) At the date of initial application of HKFRS 15, amounts due to customers for contract work amounting to HK\$1,986,000 was related to advance from customers. It was reclassified to contract liabilities upon application of HKFRS 15.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

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

Impact on the consolidated statement of financial position (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included:

	<i>Notes</i>	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current assets				
Amounts due from customers for				
contract work	<i>(a)</i>	–	13,146	13,146
Contract assets	<i>(a)</i>	13,146	(13,146)	–
		<u> </u>	<u> </u>	<u> </u>
Current liabilities				
Amounts due to customers for				
contract work	<i>(b)</i>	–	3,294	3,294
Contract liabilities	<i>(b)</i>	3,294	(3,294)	–
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) Prior to the application of HKFRS 15, the Group’s right to consideration for work completed and not billed was classified as amounts due from customers for contract work. For illustrative purpose of the table above, such right of HK\$13,146,000 was reclassified from contract assets to amounts due from customers for contract work.
- (b) Prior to the application of HKFRS 15, advance from customers was classified as amounts due to customers for contract work. For illustrative purpose of the table above, advance from customers of HK\$3,294,000 was reclassified from contract liabilities to amounts due to customers for contract work.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

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

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Increase in contract assets	(13,189)	13,189	–
Decrease in amounts due from customers for contract work	12,150	(13,189)	(1,039)
Increase in contract liabilities	3,295	(3,295)	–
Decrease in amounts due to customers for contract work	(1,986)	3,295	1,309
	<u>(1,986)</u>	<u>3,295</u>	<u>1,309</u>

HKFRS 9 Financial Instruments

HKFRS 9 replaces Hong Kong Accounting Standard HKAS 39 “Financial Instruments: Recognition and Measurement” for the Group’s annual periods beginning on or after 1 April 2018. In the current year, the Group has applied HKFRS 9 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, if any, are recognised in the opening accumulated 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 4.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

Classification and measurement of financial assets

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 of 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 all trade receivables and contract assets. Except for those which had been determined as credit impaired under HKAS 39, trade receivables are grouped based on internal credit rating. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including, bank balances and other receivables, 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, no additional credit loss allowance has been recognised against accumulated profits as the estimated allowance under the ECL model was not significantly different to that under HKAS 39 based on the counterparties’ past repayment history and forward looking information.

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

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

HKFRS 16	Leases ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial reporting ²

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

² Effective for annual periods beginning on or after 1 January 2020.

³ Effective for business combination and asset acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

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

HKFRS 16 “Leases” (“HKFRS 16”)

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.

Distinctions of operating leases and finance leases are removed for lease 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 for 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 finance lease payments as financing cash flows and 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. 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.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

HKFRS 16 “Leases” (“HKFRS 16”) (Continued)

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK\$4,688,000 as disclosed in note 26. 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.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group will 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 will elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and use of estimates and judgements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosures requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of Stock Exchange.

The consolidated financial statements are presented in HK\$, rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries carrying on business in Hong Kong. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of measurement and use of estimates and judgements (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements are discussed in note 5.

(b) Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment losses. Cost represents the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the enterprise and the cost of the item can be measured reliably. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives, on the straight-line basis, at the following annual rates:

Furniture and fixtures	20%
Office equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets acquired under finance lease arrangements are depreciated over their expected useful lives on the same basis as owned assets.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

The gain or loss arising from the retirement or disposal of property, plant and equipment, representing the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the profit or loss.

(f) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

(g) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers where 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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.

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, 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 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets and bank balances). 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. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)
(Continued)*

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

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)
(Continued)*

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)
(Continued)*

(iii) Credit-impaired financial assets (Continued)

(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 one years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)
(Continued)*

(v) Measurement and recognition of ECL (Continued)

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

- Nature of financial instruments
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

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

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

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 receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 general credit period, 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.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

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

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.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

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 are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Derecognition (Continued)

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

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

(h) Impairment of non-financial 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 relevant 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

(l) Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Revenue recognition (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (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 and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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. In the opinion of the directors of the Company, the input method faithfully depicts the Group's performance in transferring control of goods or services as there is a direct relationship between the Group's inputs and the transfer of control of the assets created by the Group's services to its customers. The output method is not adopted to measure progress as the outputs used to measure progress are not directly observable and, in the opinion of the directors of the Company, the information required to apply them is not available to the Group without undue cost.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Revenue recognition (Continued)

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss.

Revenue from provision of comprehensive structural and geotechnical engineering consultancy service is recognised on the percentage of completion method, measured based on the proportion that contract costs incurred from work performed to date relative to the estimated total contract costs, as further explained as below.

Interest income is recognised on a time-proportion basis using the effective interest method.

Contracts of comprehensive structural and geotechnical engineering consultancy service

Where the outcome of a contract of comprehensive structural and geotechnical engineering consultancy service 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. Variations in contract work, claims and incentive payments (if any) are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract of comprehensive structural and geotechnical engineering consultancy service cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

(i) *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Retirement benefits*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss as incurred.

The Group operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000 prior to June 2014 or HK\$30,000. Contributions to the plan vest immediately.

The entity within the Group in the PRC participates in PRC local retirement schemes organised by relevant government authorities for its employees in the PRC and contributes to these schemes based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement contribution obligations payable to all existing and future retired employees under these schemes. Contributions to these schemes vest immediately.

The entity within the Group in Macau also participates in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macau is required to make contributions for its employees who are registered as residents to the central social security scheme. Contributions to this scheme vest immediately.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available. Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

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

(B) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties (Continued)

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

(p) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) *Revenue recognition from contracts with customers*

The Group recognises contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition involves a significant degree of judgement, with estimates being made to assess the total contract costs and stage of completion of the contract and to provide appropriately for loss making contracts.

The management estimates the amount of foreseeable losses and stage of completion of contract work in relation to comprehensive structural and geotechnical engineering consultancy services based on the latest available cost budgets of the contracts prepared by project team with reference to the overall performance of each contract work and the management's best estimates and judgements.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement. Notwithstanding that the management reviews and revises the estimates of contract costs for the contract of comprehensive architectural services as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

(b) *Estimated impairments of trade receivables and contract assets*

The Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, ageing and past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 6(a), 17 and 18.

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and foreign currency exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk and impairment assessment

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

As at 31 March 2019, the Group's concentration of credit risk by overdue days, which accounted for HK\$13,617,000 (2018: HK\$19,886,000) of the trade receivables.

The Group has concentration of credit risk from its major customers. For the year ended 31 March 2019, aggregate revenue from the top five customers of the Group accounted for 23.1% (2018: 25.0%) of the total revenue. Amounts due from them as at 31 March 2019 amounted to approximately HK\$2,037,000 (2018: HK\$5,572,000), representing 12.3% (2018: 25.7%) of the trade receivables and contract assets relating to these five customers amounted to approximately HK\$2,747,000 (2018: HK\$1,999,000), representing 20.9% (2018: 16.5%) of the contract assets. These major customers are mainly property developers in Hong Kong and the PRC with good reputation.

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 uses an internal credit scoring system to assess the potential customer's credit quality. Scoring attributed to customers are reviewed once a 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 trade balance or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances

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

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk and impairment assessment (Continued)

Other receivables

The Group has considered that credit risk on other receivables has not increased significantly since initial recognition and has assessed the expected credit loss rate under 12m ECL method based on the Group's assessment in the risk of default of the respective counterparties.

As at 31 March 2019, the Group has assessed that the expected loss rates for other receivables was immaterial. Thus no loss allowance for other receivables was recognised.

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

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
High	The counterparties are listed companies or large enterprise and amount aged under 180 days	Lifetime ECL – not credit-impaired	12m ECL
Medium	The business size (either listed or private entities) or project nature and historical payment pattern was considered. The amount aged excess 180 days but under 270 days	Lifetime ECL – not credit-impaired	12m ECL
Low	The amount aged over 300 days	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the assets 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	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk and impairment assessment (Continued)

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

2018	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				HK'000	HK'000
Financial assets at amortised costs					
Trade receivables	N/A	High	Lifetime ECL – not credit-impaired	16,485	
		Medium	Lifetime ECL – not credit-impaired	821	
		Low	Lifetime ECL – not credit-impaired	242	
		Loss	Lifetime ECL – credit-impaired	1,994	19,542
Bank balances	A3–Aa1	N/A	12m ECL	42,219	42,219
Utility deposits	N/A	High	12m ECL	782	782
Other receivables	N/A	High	12m ECL	70	70
Other item					
Contract assets	N/A	High	Lifetime ECL – not credit-impaired	5,950	
		Medium	Lifetime ECL – not credit-impaired	6,339	
		Low	Lifetime ECL – not credit-impaired	1,023	13,312

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit impaired). Debtors which are credit-impaired with gross carrying amounts of HK\$1,994,000 as at 31 March 2019 were assessed individually.

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables HK\$'000	Contract assets HK\$'000
High	2.56%	16,485	5,950
Medium	5.98%	821	6,339
Low	11.91%	242	1,023
		<u>17,548</u>	<u>13,312</u>

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

During the year ended 31 March 2019, the Group provided HK\$797,000 impairment allowance and reversed HK\$840,000 impairment allowance for trade receivables respectively, based on the provision matrix. Impairment allowance of HK\$1,314,000 were made on debtors which are credit impaired debtors.

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Total HK\$'000
As at 31 March 2018 under HKAS 39	–	–
As at 1 April 2018	–	–
Impairment losses recognised	166	166
As at 31 March 2019	<u>166</u>	<u>166</u>

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 31 March 2018 under HKAS 39	1,029	2,203	3,232
As at 1 April 2018	1,029	2,203	3,232
Reversal of impairment losses	(840)	(63)	(903)
Impairment losses recognised	797	1,314	2,111
Write-offs	–	(1,506)	(1,506)
Exchange adjustments	–	(17)	(17)
As at 31 March 2019	<u>986</u>	<u>1,931</u>	<u>2,917</u>

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the senior management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants (if any), to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The contractual undiscounted cash flows of trade and other payables are required to be settled within one year or on demand, and the total contractual undiscounted cash flows of these financial liabilities are not materially different from their carrying amounts at 31 March 2019 and 2018.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	Carrying amount HK\$'000	Total contractual undiscounted amount HK\$'000	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	More than five years HK\$'000
At 31 March 2019						
Trade and other payables	2,953	2,953	2,953	-	-	-
At 31 March 2018						
Trade and other payables	7,323	7,323	7,323	-	-	-
Amounts due to controlling shareholders	389	389	389	-	-	-
Bank loans (i)	8,875	9,077	5,693	3,384	-	-
	16,587	16,789	13,405	3,384	-	-

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

- (i) The amounts repayable under certain bank loan agreements that include a clause that gives the banks unconditional rights to call the loans at any time are classified under the category of "Less than 1 year or on demand". However, the management does not expect that the banks would exercise such rights to demand repayment and thus these borrowings, which include the related interest, would be repaid according to the below schedule as set out in the loan agreements.

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Less than 1 year or on demand	–	5,693
1–2 years	–	3,384
2–5 years	–	–
	<u>–</u>	<u>9,077</u>

(c) Foreign currency exchange risk

For presentation purpose, the Group's consolidated financial statements is shown in Hong Kong dollars. As at 31 March 2019 and 2018, all entities within the Group have no material financial instruments that were denominated in a currency other than the functional currency in which they measured. As a result, no material foreign currency exchange risk is expected.

(d) Financial instruments by categories

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	N/A	28,400
Amortised cost	<u>58,914</u>	<u>N/A</u>
Financial liabilities		
Amortised cost	<u>2,953</u>	<u>16,587</u>

(e) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are provision of comprehensive structural and geotechnical engineering consultancy services mainly in Hong Kong.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by services lines is as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
– Construction of new properties	43,925	49,061
– Refurbishment/maintenance of existing properties	16,651	16,905
– Others	4,053	3,123
	<u>64,629</u>	<u>69,089</u>

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 3(a)).

Revenue represents the contract revenue from provision of comprehensive structural and geotechnical engineering consultancy services recognised over the time during the year.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$59,460,000. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed. The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 are as follows:

	HK\$'000
Expected to be recognised within one year	34,991
Expected to be recognised after one year	<u>24,469</u>
	<u>59,460</u>

Notes to the Consolidated Financial Statements

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting

The Group currently operates in one single operating segment which is comprehensive structural and geotechnical engineering consultancy services. For the purpose of resources allocation and performance assessment, the chief operating decision maker (“**CODM**”) (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the operation of the Group constitute only one single operating segment. Other than entity wide information, no further analysis of this single segment is presented.

Geographical information

Almost all of the Group’s external revenue for the year ended 31 March 2019 is derived from services rendered in Hong Kong, the place of domicile of the Group’s principal operating entities. Almost all of the non-current assets employed by the Group are located in Hong Kong. Hence no geographical information is presented.

Information about major customers

Revenue from external customers individually contributing 10% or more of the Group’s total revenue is as follows:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Customer A	—*	8,035

* Revenue from Customer A was less than 10% of the Group’s total revenue for the year ended 31 March 2019.

Notes to the Consolidated Financial Statements

8. OTHER INCOME AND OTHER LOSSES, NET

(a) Other income

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Bad debts written back	88	67
Sundry income	372	256
Interest income	229	–
	<u>689</u>	<u>323</u>

(b) Other losses, net

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Exchange (losses)/gains, net	(138)	28
Provision for doubtful debts	–	(840)
Impairment losses for trade receivables and contract assets, net of reversal	132	–
	<u>(6)</u>	<u>(812)</u>

9. FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Interest on bank borrowings	<u>147</u>	<u>306</u>

Notes to the Consolidated Financial Statements

10. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
(a) Staff costs		
Directors' remuneration (note 12)	4,933	4,616
Salaries, wages and other benefits	37,325	35,793
Contributions to defined contribution retirement plan, excluding those of directors	1,299	1,368
Total staff costs	43,557	41,777
Less: Amount included in general and administrative expenses	(6,227)	(5,127)
Total staff costs included in cost of services	<u>37,330</u>	<u>36,650</u>
(b) Other items		
Auditor's remuneration:		
– Audit service for the year	400	500
– Non-audit services	12	–
– Overprovision in prior year	(200)	–
Exchange losses/(gains), net	138	(28)
Depreciation of property, plant and equipment	292	235
Provision for doubtful debts	–	840
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	1,374	–
Written off of bad debts	1,506	–
Operating lease charges for office premises	2,777	2,706

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSES

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong Profits Tax:		
– Provision for the year	771	2,366
– Over-provision for prior year	(30)	–
	<u>741</u>	<u>2,366</u>
– Enterprise Income Tax in The PRC Provision for the year	69	19
– Macau Complementary Tax Provision for the year	145	76
	<u>955</u>	<u>2,461</u>
Deferred taxation		
Origination and reversal of temporary differences	(18)	(3)
	<u>937</u>	<u>2,458</u>

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of a qualifying corporation of the Group is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% (2018: flat rate of 16.5%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSES (CONTINUED)

- (b) Reconciliation between income tax expenses and accounting profit before taxation at applicable tax rates:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Profit before taxation	518	4,547
Notional tax on profit before taxation, calculated at the tax rate applicable to the respective tax jurisdictions	(20)	683
Tax effect of non-deductible expenses	1,047	1,819
Tax effect of non-taxable income	(75)	(71)
Tax effect of tax losses not recognised	–	34
Effect of tax reduction in Hong Kong Profits Tax	(30)	–
Others	15	(7)
Actual tax expenses	937	2,458

Notes to the Consolidated Financial Statements

12. DIRECTORS' REMUNERATION

The remuneration of directors for the year is set out below:

	Directors' fees HK\$'000	Salaries, allowances and benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution retirement plan HK\$'000	Total HK\$'000
Year ended 31 March 2019					
Executive directors					
Dr. Chan Yin Nin	-	2,740	-	19	2,759
Mr. Kwong Po Lam	-	1,993	-	19	2,012
Independent non-executive directors					
Ms. Chu Moune Tsi, Stella <i>(Note (iii))</i>	-	54	-	-	54
Mr. Choy Wai Shek, Raymond, <i>MH, JP (Note (iii))</i>	-	54	-	-	54
Mr. Sze Kyran, <i>MH (Note (iii))</i>	-	54	-	-	54
	<u>-</u>	<u>4,895</u>	<u>-</u>	<u>38</u>	<u>4,933</u>
Year ended 31 March 2018					
Executive directors					
Dr. Chan Yin Nin	-	2,651	-	18	2,669
Mr. Kwong Po Lam	-	1,929	-	18	1,947
Independent non-executive directors					
Ms. Chu Moune Tsi, Stella <i>(Note (iii))</i>	-	-	-	-	-
Mr. Choy Wai Shek, Raymond, <i>MH, JP (Note (iii))</i>	-	-	-	-	-
Mr. Sze Kyran, <i>MH (Note (iii))</i>	-	-	-	-	-
	<u>-</u>	<u>4,580</u>	<u>-</u>	<u>36</u>	<u>4,616</u>

Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: nil). No director waived or agreed to waive any emoluments.
- (ii) The executive directors' emoluments shown above were mainly 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.
- (iii) Appointed as independent non-executive director of the Company on 27 August 2018.

Notes to the Consolidated Financial Statements

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, 2 (2018: 2) are directors of the Company whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,870	2,859
Discretionary bonus (<i>Note</i>)	139	–
Contributions to defined contribution retirement plan	54	54
	<u>3,063</u>	<u>2,913</u>

Note: Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

The emoluments of the above 3 individuals with the highest emoluments are within the following bands:

	Year ended 31 March	
	2019	2018
	Number of individuals	Number of individuals
Nil to HK\$500,000	–	–
HK\$500,001 to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	2	1
	<u>3</u>	<u>3</u>

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: nil).

Notes to the Consolidated Financial Statements

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the followings data:

	2019	2018
(Loss)/profit attributable to owners of the Company (HK\$'000)	(419)	2,089
Weighted average number of ordinary shares in issue ('000 Number of shares)	826,652	589,427
Basic and diluted (loss)/earnings per share (HK cents)	<u>(0.05)</u>	<u>0.35</u>

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company and weighted average number of shares in issue. The number of shares for the purpose of basic (loss)/earnings per share has been retrospectively adjusted for the 671,000,000 shares which were issued pursuant to the Capitalisation Issue (as defined in Note 24). In addition, the number of shares for the year ended 31 March 2018 is calculated on the basis that the shares issued to Manning Properties have been issued since 1 April 2017.

Diluted (loss)/earnings per share for those years were the same as basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding.

Notes to the Consolidated Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost			
At 1 April 2017	1,723	631	2,354
Additions	26	49	75
Exchange adjustment	60	16	76
	<u>1,809</u>	<u>696</u>	<u>2,505</u>
At 31 March 2018	<u>1,809</u>	<u>696</u>	<u>2,505</u>
At 1 April 2018	1,809	696	2,505
Additions	12	411	423
Exchange adjustment	(42)	(11)	(53)
	<u>1,779</u>	<u>1,096</u>	<u>2,875</u>
At 31 March 2019	<u>1,779</u>	<u>1,096</u>	<u>2,875</u>
Accumulated depreciation			
At 1 April 2017	1,318	295	1,613
Charge for the year	125	110	235
Exchange adjustment	34	11	45
	<u>1,477</u>	<u>416</u>	<u>1,893</u>
At 31 March 2018	<u>1,477</u>	<u>416</u>	<u>1,893</u>
At 1 April 2018	1,477	416	1,893
Charge for the year	127	165	292
Exchange adjustment	(26)	(9)	(35)
	<u>1,578</u>	<u>572</u>	<u>2,150</u>
At 31 March 2019	<u>1,578</u>	<u>572</u>	<u>2,150</u>
Net carrying value			
At 31 March 2019	<u>201</u>	<u>524</u>	<u>725</u>
At 31 March 2018	<u>332</u>	<u>280</u>	<u>612</u>

Notes to the Consolidated Financial Statements

16. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

(i) Current taxation

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax for the year	771	2,366
Provisional Profits Tax paid	(1,535)	(2,509)
Provision for corporate income tax in other jurisdiction	214	95
Corporate income tax paid in other jurisdiction	(33)	–
Balance of Profits Tax provision relating to prior years	(68)	(326)
	<u>(651)</u>	<u>(374)</u>

(ii) Reconciliation to the consolidated statement of financial position

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Tax recoverable	(926)	(374)
Tax payable	275	–
	<u>(651)</u>	<u>(374)</u>

Notes to the Consolidated Financial Statements

16. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(b) Deferred tax assets recognised:

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

Deferred tax assets arising from:	ECL Provision HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Total HK\$'000
At 1 April 2017	–	71	71
Credited to profit or loss	–	3	3
At 31 March 2018 and 1 April 2018	–	74	74
Credited/(debited) to profit or loss	69	(51)	18
At 31 March 2019	69	23	92

17. TRADE AND OTHER RECEIVABLES

	At 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade receivables	19,542	24,922
Less: Allowance for trade receivables	(2,917)	(3,232)
Trade receivables, net of loss allowance	16,625	21,690
Deposits, prepayments and other receivables	3,369	4,183
	19,994	25,873

As at 31 March 2019, the gross carrying amounts of trade receivables from contracts with customers amounted to approximately HK\$19,542,000 (2018: HK\$24,922,000).

Notes to the Consolidated Financial Statements

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an ageing analysis of the trade receivables presented based on invoice dates at the end of the reporting period and net of allowance for credit losses/doubtful debts recognised:

	At 31 March	
	2019 HK\$'000	2018 HK\$'000
Within 30 days	4,742	5,196
Over 30 days and within 90 days	8,771	5,217
Over 90 days and within 180 days	1,882	4,903
Over 180 days	1,230	6,374
	<u>16,625</u>	<u>21,690</u>

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management will assess the potential customer's credit quality and determine the credit limits of each customer. Credit limits attributable to customers are reviewed periodically.

The Group has a policy for allowance of impairment loss which is based on the evaluation of collectability and aging 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 and debtors with aggregate carrying amount of HK\$19,886,000, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

The following is an ageing analysis of trade receivables which were past due but not impaired at 31 March 2018:

	2018 HK\$'000
Overdue:	
Within 30 days	6,185
Over 30 days and within 90 days	2,703
Over 90 days and within 180 days	5,928
Over 180 days	5,070
	<u>19,886</u>

Notes to the Consolidated Financial Statements

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

Details of impairment assessment of trade receivables for the year ended 31 March 2019 are set out in note 6(a).

18. CONTRACT ASSETS

	31 March 2019 HK\$'000	1 April 2018 HK\$'000
Arising from performance under construction contracts	<u>13,146</u>	<u>12,150</u>
		HK\$'000
Transfer of contract assets to receivables during the year at the beginning of the year		<u>7,147</u>

Note: Upon the adoption of HKFRS 15, amounts previously included as "Amounts due from customers for contract work" (Note 19) were classified to contract assets.

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

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

The Group's comprehensive structural and geotechnical engineering consultancy services contracts include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 50% of total contract sum as part of its credit risk management policies. The Group determines the amount of deposit depend on the nature and scope of works. The subsequent milestones is generally according to a progressive payment on contract.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Disclosure requirement relating to ECL after application of HKFRS 9 is set out in note 6(a).

Notes to the Consolidated Financial Statements

19. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	At 31 March	
	2018	
	HK\$'000	
Contracts in progress at end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses		186,097
Less: Progress billings		<u>(175,933)</u>
		<u>10,164</u>
<i>Analysed for reporting purpose as:</i>		
Amounts due from customers for contract work		12,150
Amounts due to customers for contract work		<u>(1,986)</u>
		<u>10,164</u>

Note: Upon the adoption of HKFRS 15, gross amounts due from/(to) customers for contract works is included in contract assets and contract liabilities respectively, and disclosed in note 18 and note 22 respectively.

20. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Cash and cash equivalent in the consolidated statement of financial position:		
– Cash at banks and on hand	<u>42,219</u>	<u>6,633</u>

(b) Reconciliation of liabilities arising from financing activities

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

Notes to the Consolidated Financial Statements

20. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank borrowings HK\$'000	Amounts due to controlling shareholders HK\$'000	Total liabilities from financing activities HK\$'000
At 1 April 2017	1,994	4,112	6,106
Net changes in cash flows	6,881	(3,723)	3,158
At 31 March 2018 and 1 April 2018	8,875	389	9,264
Net changes in cash flows	(8,875)	(389)	(9,264)
At 31 March 2019	-	-	-

21. TRADE AND OTHER PAYABLES

	At 31 March 2019 HK\$'000	2018 HK\$'000
Trade payables	639	1,023
Accrued expenses	1,614	5,845
Other payables	1,114	455
	3,367	7,323

The ageing analysis of the Group's trade payables based on invoice dates was as follows:

	At 31 March 2019 HK\$'000	2018 HK\$'000
Within 30 days	446	318
31-60 days	60	189
61-90 days	50	113
Over 90 days	83	403
	639	1,023

Notes to the Consolidated Financial Statements

22. CONTRACT LIABILITIES

	At 31 March 2019 HK\$'000	At 1 April 2018 HK\$'000
Arising from performance under construction contracts	<u>3,294</u>	<u>1,986</u>

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

	HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>1,863</u>

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

When the Group receives a deposit before the service commences, 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 deposit. The Group typically receives a 5%-50% deposit from certain customers before the service commences.

Notes to the Consolidated Financial Statements

23. BANK BORROWINGS

	At 31 March	
	2019 HK\$'000	2018 HK\$'000
Bank loans	–	8,875
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	–	5,570
More than one year, but not more than two years	–	3,305
More than two years, but not more than five years	–	–
	–	8,875
Less: Amounts due shown under current liabilities		
– due within one year	–	(5,570)
– due after one year but contain a repayable on demand clause	–	(3,305)
Amounts shown under non-current liabilities	–	–

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

The fixed rate of bank loans at 31 March 2018 carried interest at the rate of 2.52% to 4% per annum.

At 31 March 2018, term loans of approximately HK\$5,875,000 were secured by the guarantee given by Hong Kong Mortgage Corporation Limited and personal guarantees by Dr. Chan and Mr. Kwong.

Notes to the Consolidated Financial Statements

24. CAPITAL AND RESERVES

(a) Movement in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

(b) Share capital

	2019		2018	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At date of incorporation and 1 April <i>(Note i)</i>	38,000,000	380	38,000,000	380
Increase in authorised share capital on 27 August 2018 <i>(Note iii)</i>	1,462,000,000	14,620	–	–
At 31 March	<u>1,500,000,000</u>	<u>15,000</u>	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:				
At date of incorporation and 1 April <i>(Note i)</i>	1,000,000	10	1	–*
Allotment of shares at date of incorporation <i>(Note i)</i>	–	–	700,999	7
Allotment of shares under Pre-IPO Investment <i>(Note ii)</i>	–	–	299,000	3
Issue of shares under the Capitalisation Issue <i>(Note iv)</i>	671,000,000	6,710	–	–
Issue of shares under the Share Offer <i>(Note v)</i>	288,000,000	2,880	–	–
At 31 March	<u>960,000,000</u>	<u>9,600</u>	<u>1,000,000</u>	<u>10</u>

Note:* Less than HK\$1,000

Notes to the Consolidated Financial Statements

24. CAPITAL AND RESERVES (CONTINUED)

(b) Share capital (Continued)

Note:

- (i) The Company was incorporated on 25 August 2017 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, the Company issued and allotted one nil paid share to an initial subscriber, which was transferred to Manning Properties, a company owned and controlled by Dr. Chan and Mr. Kwong.

On the date of incorporation, 700,999 shares were further allotted and issued at par, credited as fully paid, to Manning Properties. Accordingly, the Company was owned as to 100% by Manning Properties on the date of its incorporation.

- (ii) Pre-IPO Investment

On 9 May 2017, Galaxy Sourcing Limited ("**Galaxy**") entered into a share subscription agreement with Mr. Kwong, Dr. Chan and Wong & Cheng Consulting Engineers Limited ("**W&C Hong Kong**"), one of subsidiaries of the Company, (the "**Share Subscription Agreement**"), pursuant to which W&C Hong Kong has agreed to allot and issue shares representing 29.9% of its enlarged issued share capital to Galaxy at a consideration of HK\$15,000,000.

On 29 August 2017, the Company, W&C Hong Kong, Dr. Chan and Mr. Kwong and Galaxy entered into a deed of novation, pursuant to which, amongst others, the liabilities and obligations of W&C Hong Kong under the Share Subscription Agreement were novated to the Company. Accordingly, the Company allotted and issued 299,000 shares to Galaxy on the same day at a consideration of HK\$15,000,000. Accordingly, the Company was owned as to 70.1% by Manning Properties and 29.9% by Galaxy.

- (iii) On 27 August 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$15,000,000 by the creation of an additional 1,462,000,000 shares with a par value of HK\$0.01 each.
- (iv) On 27 August 2018, conditional on the share premium account of the Company being credited as a result of the shares issued pursuant to the Share Offer as mentioned and defined in (v) below, a sum of HK\$6,710,000 standing to the credit of the share premium account of the Company were capitalised by way of applying such sum in paying up in full at par 671,000,000 shares in which 470,371,000 and 200,629,000 shares were allotted to Manning Properties and Galaxy respectively (the "**Capitalisation Issue**"). Upon completion of the Capitalisation Issue, total issued share capital of the Company became 672,000,000 shares of HK\$0.01 each.
- (v) On 17 September 2018, 288,000,000 ordinary shares of HK\$0.01 each were issued by way of share offer at a price of HK\$0.20 per share (the "**Share Offer**") for a total cash consideration of HK\$57,600,000, before issuance cost. The excess of the Share Offer over the par value of the shares issued was credited to the share premium account of the Company.

(c) Merger reserves

Merger reserves represent the reserves that arose pursuant to the Reorganisation.

Notes to the Consolidated Financial Statements

24. CAPITAL AND RESERVES (CONTINUED)

(d) Share premium

The share premium represents the difference between the total consideration of HK\$15,000,000 and the par value of the shares issued to Galaxy Sourcing Limited as mentioned in Note 24(b)(ii).

(e) Translation reserves

The reserves comprise all foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than HK\$. The reserves are dealt with in accordance with the accounting policies set out in note 4(d).

(f) Distributable reserves

At 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Laws of Cayman Islands, amounted to approximately HK\$31,280,000.

(g) Legal reserves

In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiary registered in Macau Special Administrative Region is required to transfer part of its profits of each accounting period of not less than 25% to legal reserves, until the amount reaches half of its registered share capital.

(h) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to serve its debt obligations. At 31 March 2019 and 2018, the ratio of the Group's total liabilities over its total assets was 9% and 40% respectively.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements

25. DIVIDEND

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

26. COMMITMENTS

The Group leases office premises and photocopiers through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within one year	2,746	2,630
In the second to fifth years inclusive	1,942	3,994
	4,688	6,624

27. MATERIAL RELATED PARTY TRANSACTIONS

For the year ended 31 March 2019, the transactions or balances with the following parties were considered to be related party transactions:

Name of party	Relationship with the Group
Mr. Kwong	Director and one of the Controlling Shareholders
Win Win Way Construction Co., Limited ("Win Win Way")	Mr. Kwong is a director of Win Win Way Construction Holdings Ltd., the holding company of Win Win Way

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Company and their remuneration is disclosed in note 12.

Notes to the Consolidated Financial Statements

27. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties transactions

The Group had the following transactions with related parties during the year which the directors consider to be material:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Consultancy fee received from Win Win Way	325	965

(c) Balances with related parties

At 31 March 2019, the Group had the following balances with related parties:

	At 31 March	
	2019	2018
	HK\$'000	HK\$'000
Amounts due to controlling shareholders		
– Dr. Chan	–	261
– Mr. Kwong	–	128
	–	389

The outstanding balances with these related parties are non-trade in nature, interest-free, unsecured and repayable on demand.

Notes to the Consolidated Financial Statements

28. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2019 are set out below:

Name of company	Place of incorporation/ establishment	Registered/ issued and fully paid up capital	Attributable equity interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary	
Wong & Cheng Consulting Engineers Limited	Hong Kong	HK\$550,000	100%	–	100%	Provision of comprehensive structural and geotechnical engineering consultancy services
黃鄭建築科技開發 (深圳) 有限公司 (Note)	The People's Republic of China ("PRC")	HK\$1,000,000	100%	–	100%	Provision of computer – aided drawings and design of construction and back office support
Wong & Cheng Consulting Engineers (Macau) Limited	Macau	MOP100,000	100%	–	100%	Provision of comprehensive structural and geotechnical engineering consultancy services

Notes: 黃鄭建築科技開發 (深圳) 有限公司 is registered as wholly-foreign-owned enterprise under PRC Law.

29. EVENT AFTER THE REPORTING PERIOD

These were no significant subsequent events from 1 April 2019 to the date of this report.

Notes to the Consolidated Financial Statements

30. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

As at 31 March 2019

	2019 HK\$'000	2018 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	156	—*
Current assets		
Other receivables	2,820	3,633
Amount due from a subsidiary	4,539	376
Bank balances	33,728	—
	<u>41,087</u>	<u>4,009</u>
Current liabilities		
Other payables	182	108
Amount due to a subsidiary	181	25
	<u>363</u>	<u>133</u>
Net current assets	<u>40,724</u>	<u>3,876</u>
Net assets	<u>40,880</u>	<u>3,876</u>
EQUITY		
Share capital	9,600	10
Share premium	48,760	14,997
Accumulated losses	(17,480)	(11,131)
Total equity	<u>40,880</u>	<u>3,876</u>

* Less than HK\$1,000.

Notes to the Consolidated Financial Statements

30. FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Statement of financial position (Continued)

Note:

Movements of the Company's reserves are as follows:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2017	–	–	–
Loss and total comprehensive expenses for the year	–	(11,131)	(11,131)
Issue of shares	14,997	–	14,997
Balance at 31 March 2018 and 1 April 2018	14,997	(11,131)	3,866
Loss and total comprehensive expenses for the year	–	(6,349)	(6,349)
Capitalisation Issue	(6,710)	–	(6,710)
Share issue pursuant to the Share Offer	54,720	–	54,720
Share issue expenses	(14,247)	–	(14,247)
Balance at 31 March 2019	48,760	(17,480)	31,280

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, extracted from the audited financial statements in this annual report and the Prospectus of the Company dated 31 August 2018, is as follows.

RESULTS

	Year ended 31 March			2019 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	
Revenue	<u>68,009</u>	<u>70,569</u>	<u>69,089</u>	<u>64,629</u>
Profit before taxation	16,238	19,667	4,547	518
Income tax expenses	<u>(2,957)</u>	<u>(3,381)</u>	<u>(2,458)</u>	<u>(937)</u>
Profit/(loss) for the year	13,281	16,286	2,089	(419)
Other comprehensive (expense)/income	<u>(260)</u>	<u>75</u>	<u>(154)</u>	<u>89</u>
Profit/(loss) and total comprehensive income/(expense) for the year	<u>13,021</u>	<u>16,361</u>	<u>1,935</u>	<u>(330)</u>

ASSETS AND LIABILITIES

	At 31 March			2019 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	
Total assets	41,138	36,183	46,498	77,884
Total liabilities	<u>(33,349)</u>	<u>(25,200)</u>	<u>(18,573)</u>	<u>(6,936)</u>
Net assets	<u>7,789</u>	<u>10,983</u>	<u>27,925</u>	<u>70,948</u>

Glossary

“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at 11 a.m. on Friday, 2 August 2019 at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under Rule 20.06(2) of the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Authorized Person”	a person whose name is on the authorized persons’ register kept by the Building Authority under section 3(1) of the BO as an architect, an engineer, or a surveyor
“BIM”	building information modelling
“BO”	the Buildings Ordinance (Chapter 123 or the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning number eight or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CG Code”	Corporate Governance Code and Corporate Governance Report, Appendix 15 to the GEM Listing Rules
“China” or “PRC”	the People’s Republic of China, and except where the context requires otherwise, does not include Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, consolidated, revised or otherwise modified from time to time
“Company”	WAC Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2017 and the issued Shares of which are listed on GEM of the Stock Exchange
“Concerted Group”	collectively refers to Dr. Chan and Mr. Kwong
“connected person(s)”	has the meaning ascribed to it under Rule 20.06(7) of the GEM Listing Rules

Glossary

“Controlling Shareholder(s)”	the controlling Shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules), namely, Manning Properties, Dr. Chan and Mr. Kwong
“Deed of Non-Competition”	the deed of non-competition undertaking executed by each of the Controlling Shareholders in favour of our Company on 27 August 2018, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-compete undertakings” in the Prospectus
“Director(s)”	the director(s) of our Company
“Dr. Chan”	Dr. Chan Yin Nin (陳延年博士), an executive Director and a Controlling Shareholder holding approximately 68.2% of interests in Manning Properties
“ERB”	the Engineers Registration Board established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government”	the Government of Hong Kong
“Group”, “our Group”, “we” or “us”	the Company together with its subsidiaries
“HK\$” or “HK dollar(s)” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKEX” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	the branch share registrar and transfer office in Hong Kong of the Company, Tricor Investor Services Limited, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before 10 July 2019, and at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or after 11 July 2019
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Internal Control Adviser”	Wellink Corporate Advisory Limited, the internal control adviser of our Company
“Listing”	the listing of our Shares on GEM on the Listing Date
“Listing Date”	17 September 2018, the date on which dealings in the Shares on GEM commence

Glossary

“Macau”	the Macau Special Administrative Region of the PRC
“Manning Properties”	Manning Properties Limited (萬年地產發展有限公司), a company incorporated in the BVI with limited liability on 9 February 2015, and a Controlling Shareholder, which is wholly-owned by the Concerted Group, comprising Dr. Chan (approximately 68.2% shareholding) and Mr. Kwong (approximately 31.8% shareholding)
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company as amended from time to time
“MOP”	Macau pataca, the lawful currency of Macau
“Mr. Kwong”	Mr. Kwong Po Lam (鄭保林先生), an executive Director and a Controlling Shareholder holding approximately 31.8% of interests in Manning Properties
“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus of the Company dated 31 August 2018 issued in connection with the Listing
“Registered Structural Engineer” or “RSE”	a person whose name is for the time being on the structural engineers’ register kept by the Building Authority under section 3(3) of the BO
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group in preparation for the Listing described in the section headed “History, Reorganisation and group structure — Reorganisation” in the Prospectus which was completed on 20 November 2017
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Offer”	the issue of 288,000,000 ordinary Shares by way of share offer at a price of HK\$0.20 per Share on 17 September 2018
“Share Option Scheme”	the share option scheme approved and adopted by our Company pursuant to written resolutions of our Shareholders on 27 August 2018
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s) from time to time
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules

Glossary

“Substantial Shareholder(s)”	the substantial Shareholder(s) having the meaning ascribed to it under the GEM Listing Rules
“US\$” or “U.S. dollars”	the lawful currency for the time being of the United States of America
“W&C Hong Kong”	Wong & Cheng Consulting Engineers Limited (黃鄭顧問工程師有限公司), formerly known as “Wong & Cheng Consulting Engineers Limited” and “Fine Future Limited (明程有限公司)”, a company incorporated in Hong Kong with limited liability on 19 June 1987, which is owned as to 100% by WAC (HK) and is our indirect wholly-owned subsidiary
“W&C Macau”	Wong & Cheng Consulting Engineers (Macau) Limited (黃鄭顧問工程師 (澳門) 有限公司), a company incorporated under the laws of Macau with limited liability on 14 June 2002, which is owned as to 100% by WAC (Macau) and is our indirect wholly-owned subsidiary
“W&C Shenzhen”	黃鄭建築科技開發 (深圳) 有限公司, a company incorporated under the laws of PRC with limited liability on 2 November 2001, which is owned as to 100% by W&C Hong Kong and is our indirect wholly-owned subsidiary
“WAC (HK)”	WAC (Hong Kong) Limited, a company incorporated in the BVI with limited liability on 29 August 2017, which is our direct wholly-owned subsidiary
“WAC (Macau)”	WAC (Macau) Limited, a company incorporated in the BVI with limited liability on 29 August 2017, which is our direct wholly-owned subsidiary