

# WAC Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8619

Annual Report

**2020**



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*This report will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company's website at [www.wcce.hk](http://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 (*appointed on 6 June 2019*)

### 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 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKERS**

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

## **WEBSITE ADDRESS**

[www.wcce.hk](http://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 annual report of the Group for the year ended 31 March 2020.

## GENERAL OVERVIEW

With the general economic recessions caused by the escalating tension arising from the China-US trade war in the second-half of 2019 and Hong Kong was hit especially hard with the ongoing social unrest. It has inevitably led to a slowdown in the Group's revenue growth. Despite the difficult conditions, the Group continues to move forward in 2020 to maintain a stable business operation.

## FUTURE PROSPECTS

It was a challenging year for the year ended 31 March 2020. 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, against the onset of the outbreak of coronavirus disease (the "**COVID-19**"), the ongoing social unrest in Hong Kong and the continuous China-US trade conflict which have dampened Macau and Hong Kong's economy, the Directors anticipate that the market conditions are likely to deteriorate in the near-term.

Under the current investment environment and the continued COVID-19 outbreak, the number of projects available in the market is expected to be reduced or postponed considerably, which will worsen the competition of construction industry and affect the profitability of projects.

To cope with the challenging macroeconomic circumstance, the Group will continue to adopt a tight cost control procedure to minimise the unfavorable impact on ongoing projects.

Meanwhile, the Group would explore new business opportunities and recruit competent professional staff to develop its business in order to maximise returns to our Shareholders in the medium term and 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 patronage and support.

**Dr. Chan Yin Nin**

*Chairman*

Hong Kong, 22 June 2020

# 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 design which is mainly provided in Hong Kong and Macau. 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 sub-surface conditions and assessment of risks posed by site conditions. For certain civil engineering practice areas, it involves infrastructure works (such as roads and 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 alteration and additions works and expert services from time to time as requested by our clients.

During the year ended 31 March 2020, the Group recorded a decrease in revenue of approximately 8.9% to approximately HK\$58.9 million from approximately HK\$64.6 million for the preceding financial year. The decrease was mainly affected by the outbreak of COVID-19 in Hong Kong, the People's Republic of China and Macau, the social unrest in Hong Kong, and the work from home arrangement for certain government departments and our certain clients because of COVID-19, resulting in temporary suspension of construction works and delays in project progress during the year ended 31 March 2020. Such negative impact is expected to continue for an uncertain period.

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, the business and operating environments of the Group will remain challenging. The Group will continue to expand its market share by securing more engineering consultancy service contracts. The Group is seeking new business opportunities by exploring a social community-based e-commerce new retail online platform which could provide a selection of commodities with quality for users and shopping guides for saving money, professional health management solutions and online education solutions.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group decreased from approximately HK\$64.6 million for the year ended 31 March 2019 to approximately HK\$58.9 million for the year ended 31 March 2020, representing a decrease of approximately 8.9%. Such decrease was mainly due to the decrease in revenue that had been affected by the outbreak of COVID-19 in Hong Kong, the People's Republic of China and Macau, the social unrest in Hong Kong, and the work from home arrangement for certain government departments and our certain clients because of COVID-19, resulting in temporary suspension of construction works and delays in project progress during the year ended 31 March 2020. The decrease in revenue was mainly 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 remained stable at approximately HK\$40.8 million for the year ended 31 March 2020 and 2019. The cost of services mainly comprised of staff costs for professional staff and subconsulting costs. The percentage of staff costs to total cost of services for the year ended 31 March 2020 was approximately 90.7% (31 March 2019: 91.4%).

## Gross Profit

Gross profit of the Group decreased by approximately HK\$5.8 million or 24.3% from approximately HK\$23.8 million for the year ended 31 March 2019 to approximately HK\$18.0 million for the year ended 31 March 2020. The overall gross profit margin decreased from approximately 36.8% for the year ended 31 March 2019 to approximately 30.6% for the year ended 31 March 2020. The decrease was mainly caused by the decrease in revenue, with staff costs for professional staff handling our projects remained the same level for both years, accounting for approximately 90.7% and 91.4% of the total cost of services for the year ended 31 March 2020 and 2019 respectively.

## General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$6.2 million or 33.9% from approximately HK\$18.4 million for the year ended 31 March 2019 to approximately HK\$24.6 million for the year ended 31 March 2020. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, bonus payment, staff training and welfare, depreciation and legal and professional fees. Such increase was mainly attributable to the (i) increase in legal and professional fees; and (ii) payment of one-off discretionary bonus.

## Listing Expenses

During the year ended 31 March 2019, the Group recognised non-recurring listing expenses in connection with the Listing of approximately HK\$5.4 million. No such expenses were recognised during the year ended 31 March 2020.

## Finance Costs

Finance costs of the Group remained stable amounting to approximately HK\$0.1 million for the year ended 31 March 2020 and 2019. They represented interest expenses on lease liabilities and interest expenses on bank borrowings for the year ended 31 March 2020 and 2019, respectively. Upon adoption of HKFRS 16 on 1 April 2019, the lease liabilities were initially measured at the present value of the lease payments that were not paid at that date. Subsequently, the lease liabilities were adjusted for interest and lease payments. As a result, an interest expense on lease liabilities of approximately HK\$150,000 was recognised for the year ended 31 March 2020.



# Management Discussion and Analysis

## Income Tax Credit/(Expenses)

During the year ended 31 March 2019, the Group incurred income tax expenses amounting to approximately HK\$0.9 million. The Group had income tax credit amounting to approximately HK\$0.3 million for the year ended 31 March 2020. Such change was primarily attributable to decrease in assessable profit and increase in provision of deferred tax assets for a major operating subsidiary of the Company for the year ended 31 March 2020.

## Loss for the Year

Loss for the year increased by approximately HK\$6.6 million or 1,562.1% from a loss of approximately HK\$0.4 million for the year ended 31 March 2019 to a loss of approximately HK\$7.0 million for the year ended 31 March 2020. The loss was primarily attributable to the (i) decrease in revenue; (ii) increase in legal and professional fees; (iii) payment of one-off discretionary bonus; and (iv) increase in provision of impairment losses on trade receivables and contract assets for the year ended 31 March 2020.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has met its liquidity requirements principally through net cash flows generated from our operations. 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 decreased from approximately 11.0 times as at 31 March 2019 to 7.1 times as at 31 March 2020. The decrease was mainly due to the (i) decrease in bank and cash balances; and (ii) increase in lease liabilities as at 31 March 2020.

As at 31 March 2020, the Group had no borrowings. The gearing ratio as at 31 March 2020, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, was therefore not applicable. 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.

## 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.

# Management Discussion and Analysis

## **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 Group's operating lease commitments amounted to approximately HK\$4.7 million as at 31 March 2019, and there was no such commitments as at 31 March 2020 upon application of HKFRS 16. The operating lease commitments of the Group as at 31 March 2019 were primarily related to the leases of its office premises and equipments.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 March 2020, 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 2020, the Group did not have any material acquisitions or disposals of subsidiaries and associates.

## **CONTINGENT LIABILITIES**

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

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

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

# Management Discussion and Analysis

## CHARGE ON GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2020 (31 March 2019: nil).

## EVENT AFTER THE REPORTING PERIOD

The COVID-19 outbreak since early 2020 has exerted certain downward pressure on the overall economy in various countries and regions, including Hong Kong, the People's Republic of China and Macau. It has brought about additional uncertainties in the Group's operating environment and may continue to impact the Group's operations and financial position. The Group has been closely monitoring the impact from COVID-19 on the Group's businesses.

As the extent to which the ongoing COVID-19 outbreak is uncertain, it is not practicable to estimate the full financial effect that the COVID-19 outbreak may have on the Group's businesses as at the date when the financial statements are authorised to issue.

In April 2020, the Group entered into series of contracts with certain counter parties for establishing a variable interest entity (the "VIE") arrangement, whereby pursuant to the aforesaid contracts, the Group has control over the VIE. The VIE arrangement will enable the Group to be involved in a social community-based e-commerce new retail online platform in the PRC in the future. For details of the VIE arrangement, please refer to the announcement of the Company dated 29 April 2020.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 126 employees (31 March 2019: 125 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$46.5 million for the year ended 31 March 2020 (31 March 2019: approximately HK\$43.6 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 2020, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus as follows:

<b>Business strategies</b>	<b>Amount designated in the Prospectus</b> HK\$' million	<b>Amount utilised up to 31 March 2020</b> HK\$' million	<b>Unutilised balance as at 31 March 2020</b> HK\$' million
Support and expand our structural and geotechnical engineering team	7.9	4.3	3.6
Grow and develop our civil engineering team	7.9	1.4	6.5
Expand our office infrastructure and BIM upgrade	5.2	0.4	4.8
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>7.3</u>	<u>19.6</u>

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Dr. CHAN Yin Nin (陳延年博士)**, aged 64, 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 30 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 August 2004	BDT Engineering Consultants Limited	Engineering consultancy	Managing Director	Civil and geotechnical engineering matters, temporary work and materials consultancy and new building projects
April 1999 to Present	Wong & Cheng Consulting Engineers Limited (a wholly- owned subsidiary of the Company since 29 August 2017)	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
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 The Institution of Structural Engineers of the United Kingdom
September 2004	Registered as a Chartered Environmentalist by the Society for the Environment of the United Kingdom

## Biographical Details of Directors and Senior Management

Date of qualification	Professional qualification
July 2005	Registered as a Chartered Scientist by the Science Council of the United Kingdom
January 2008	Qualified as a Registered Engineer in Macau
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 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. 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

## Biographical Details of Directors and Senior Management

Period	Name of company/ enterprise	Principal business activity	Position	Duties and responsibilities
September 1982 to January 1986	Ove Arup & Partners Hong Kong Limited	Engineering	Structural engineer	Structural engineering matters
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 (a wholly-owned subsidiary of the Company since 29 August 2017)	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	CT Vision (International) Holdings Limited, formerly known as Win Win Way Construction Holdings Ltd. (a company listed on the Main Board of the Stock Exchange with stock code: 994) <i>(Note)</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 <i>(Note)</i>	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:*

Mr. Kwong has never been a shareholder of CT Vision (International) Holdings Limited, formerly known as Win Win Way Construction Holdings Ltd. and Win Win Way Construction Co., Limited.

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 30, 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 46, 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 71, 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 54, 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 49, 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 76, 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 67, 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 55, 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 50, 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 64, 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 62, 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 35, 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 POLICIES

As one of the leading construction engineering consultancy service providers, the Group 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 environmental, social and governance (“**ESG**”) initiatives, plans and performances of the Group and demonstrates our 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. The Board is also responsible for ensuring the effectiveness of the Group’s risk management and internal controls.

In order to develop a systematic management of the ESG issues, the Group has established an ESG taskforce (the “**Taskforce**”) which comprises of staff from relevant departments. The Taskforce is responsible to collect relevant information on the ESG aspects for the preparation of the ESG Report. It periodically reports to the Board, assists in the assessing and identifying the Group’s ESG risk, and evaluates the implementation and effectiveness of the Group’s ESG internal control system. It also examines and reviews the Group’s performance, including environmental, labour practices and other ESG aspects.

## REPORTING SCOPE

The ESG Report generally covers the Group’s main business and operational activities in Hong Kong and shenzhen offices. In particular, the general disclosure and compliance matters cover Hong Kong offices; while the ESG key performance indicators (“**KPIs**”) data are gathered and included under the Group’s business activities in Hong Kong office. The Group will continue to assess the major ESG aspects of different businesses and extend the scope of disclosures when and where applicable.

## REPORTING FRAMEWORK

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

Information relating to the Group’s corporate governance practices has been set out in the Corporate Governance Report on P.45 to P.60 of this annual report.

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2020 (“**2020**”).

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

The Group endeavours to create sustainable growth and long-term value for our stakeholders. In order to understand and address their key concerns, the Group has been maintaining close communication with our stakeholders. The Group will continue to increase the involvement of stakeholders via constructive conversation with a view to charting a course for long term prosperity. The Group's communication channels with the key stakeholders and their respective expectations are summarised as follows:

Stakeholders	Expectations and concerns	Communication channels
Shareholders and investors	<ul style="list-style-type: none"> <li>• Corporate governance system</li> <li>• Business strategies and performance</li> <li>• Financial results</li> <li>• Investment returns</li> </ul>	<ul style="list-style-type: none"> <li>• General meeting and other shareholder meetings</li> <li>• Financial reports</li> <li>• Announcements and circulars</li> <li>• Company website and email</li> </ul>
Customers and business partners	<ul style="list-style-type: none"> <li>• Privacy protection</li> <li>• Business integrity and ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Customer support hotline and email</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Career development</li> <li>• Health and safety</li> <li>• Remuneration and benefits</li> <li>• Equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Trainings, seminars and briefing sessions</li> <li>• Staff appraisals</li> </ul>
Subcontractors	<ul style="list-style-type: none"> <li>• Fair Tendering</li> <li>• Business ethics and reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Management meetings and emails</li> </ul>
Regulatory bodies and government authorities	<ul style="list-style-type: none"> <li>• Compliance with rules and laws</li> <li>• Implementation of policies</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Adviser</li> <li>• On-site inspections</li> <li>• Legal Advisor</li> </ul>
Media, non-governmental organisations, and the public	<ul style="list-style-type: none"> <li>• Giving back to society</li> <li>• Environmental protection</li> <li>• Social welfare</li> <li>• Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Community activities</li> <li>• Media</li> <li>• ESG reports</li> </ul>

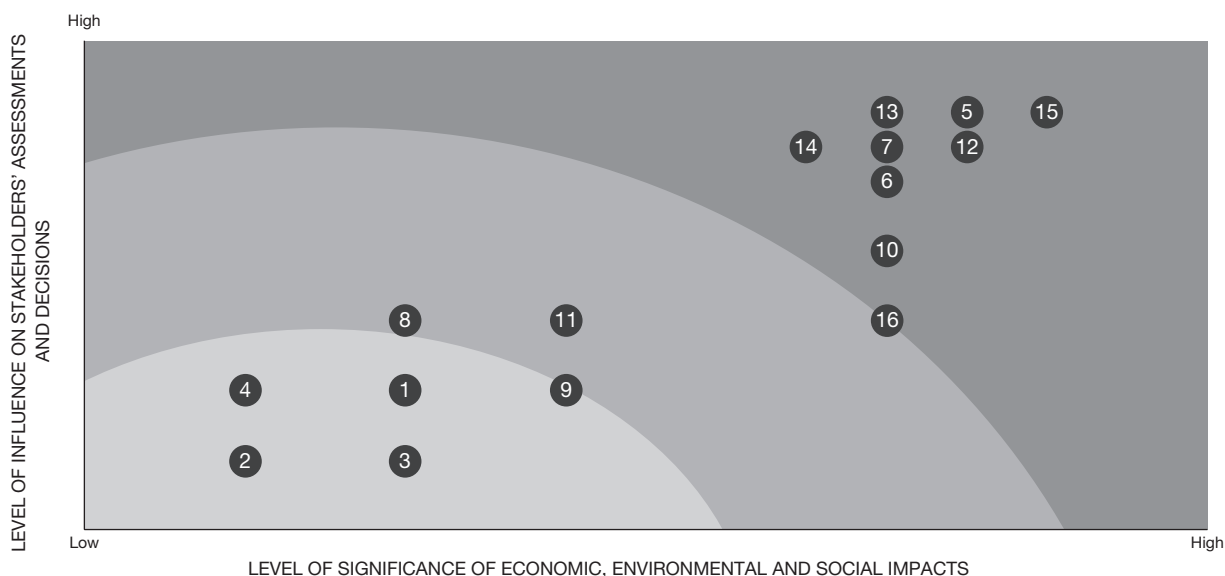
The Group aims to collaborate with our stakeholders to improve our ESG performance and create greater value for the community on a continuous basis.

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

The Group’s management and staff in major functions are involved in the preparation of the ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of those relevant matters to our business and stakeholders. The Group has compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. The following matrix is a summary of the Group’s material ESG issues.

The Group’s Materiality Matrix during 2020



- 1 Greenhouse Gas ("GHG") Emissions
- 2 Waste Management
- 3 Energy Management
- 4 Green Working Environment
- 5 Employment Practices
- 6 Diversity, Equal Opportunity and Anti-discrimination
- 7 Safety Trainings and Inspections
- 8 Training and Development
- 9 Prevention of Child and Forced Labour
- 10 Subconsultant Management
- 11 Fair and Open Tendering
- 12 Quality Management
- 13 Customer Service
- 14 Protection of Intellectual Property ("IP") Rights
- 15 Anti-money Laundering
- 16 Corporate Social Responsibility

During the year ended 31 March 2020, 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 to provide feedbacks on our ESG approach and performance, based on which the Group will take relevant actions and continuously improve our sustainability performance.

## A. ENVIRONMENTAL

### A1. Emissions

Being an office-based construction engineering consultancy service provider, the Group focuses on the area of comprehensive structural and geotechnical engineering, hence creating limited impacts to the environment. As a socially responsible corporation, the Group recognises our responsibilities in minimising the potential direct and indirect negative environmental impacts brought by our business operations. The Group has integrated environmental considerations into our decision-making processes and strive to create an environmentally sustainable business.

The Group has formulated related environmental policies and initiatives to promote sustainability within our business. The Group upholds the principles of emission reduction and resource efficiency in our environmental management approaches. This is achieved through implementing measures that promote energy efficiency, wastes reduction and other green initiatives. The Group is 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, the Group continually looks 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 2020, the Group was not aware of any material non-compliance with environmental related laws and regulations, including but not limited to the Hong Kong Air Pollution Control Ordinance, the Hong Kong Noise Control Ordinance, and the Environmental Protection Law of the People's Republic of China that would have a significant impact on the Group.

#### *Exhaust Gas Emissions*

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

# Environmental, Social and Governance Report

## 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 major sources of the Group's GHG emissions are mainly generated from purchased electricity (Scope 2) and paper consumption (Scope 3). The Group has adopted the following measures to reduce GHG emissions during operation:

- Actively adopt environmental protection, energy conservation, and water conservation measures, which are described in the sections headed "Energy Management" and "Water Management" under aspect A2; and
- Actively adopt paper saving measures in office, which are described in the section headed "Waste Management" under this aspect.

Apart from the above measures, the Group also propagates environmental protection messages to employees by posting notices and posters of green information in office areas so as to raise their awareness and promote the best practices of environmental management. Through the implementation of the above measures, the Group's total GHG emissions intensity has slightly decreased by about 1% from approximately 1.49 tCO<sub>2</sub>e per employee in 2019 to approximately 1.47 tCO<sub>2</sub>e per employee in 2020. The Group's GHG emissions performances were as follows:

Indicator <sup>1</sup>	Unit	Emissions	
		2020	2019
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	—	—
Energy Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	120.12	122.49
Other Indirect GHG emissions (Scope 3)	tCO <sub>2</sub> e	25.38	28.74
Total GHG emissions (Scope 1, 2 and 3)	tCO <sub>2</sub> e	145.50	151.23
Total GHG emissions intensity	tCO <sub>2</sub> e/employee <sup>2</sup>	1.47	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 2019 Sustainability Report, and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).
2. As at 31 March 2020, the Group had a total of 99 full-time employees (2019: 101) under the Group's business activities in Hong Kong office. The data is also used for calculating other intensity data.

# Environmental, Social and Governance Report

## *Wastewater Management*

The Group does not consume significant volume of water in our daily operation, 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. Corresponding water-saving initiatives will be described in the section “Water Management” under aspect A2.

## **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 wastes*

Due to the Group’s business nature, the Group did not generate significant amount of hazardous wastes during the year ended 31 March 2020. Despite the Group did not generate significant amount of 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 is required to engage a qualified chemical waste collector to handle such wastes, and comply with relevant environmental rules and regulations.

## *Non-hazardous wastes*

The Group adopts the principle of “Reduce, Reuse and Recycle” (3Rs) for waste management and strive for resource utilisation. With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operation, the Group has implemented measures to handle such wastes and launched different wastes reduction initiatives. With such waste management approaches, the Group hopes to embed an environmentally friendly mindset among our employees. Employees are required to adopt the following initiatives and assume the responsibility for the overall wastes management:

- Limit the amount of tissue rolls distributed to staff, and extra needs will be available upon request;
- Prevent overstock of stationeries by using a Stationery Requisition Form to order stationeries;
- Set computer’s printing default setting as “Black and White” instead of “Colour”;
- Distribute office memos to remind staff to only print necessary materials to avoid wastage;
- Use recycled paper for printing and copying;
- Utilise electronic communication where applicable;

# Environmental, Social and Governance Report

- Minimise wastes wherever feasible;
- Sort recycled waste into appropriate receptacles, educating employees on sorting methods if needed; and
- Place appropriate signages on walls and bins, stating what type of waste or recyclable should be placed in the bins.

Through the implementation of the above wastes reduction measures, the Group total non-hazardous wastes disposal intensity has decreased by about 17% from approximately 0.06 tonnes per employee in 2019 to approximately 0.05 tonnes per employee in 2020. The Group's non-hazardous wastes disposal performances were as follows:

Types of non-hazardous wastes	Unit	Disposal	
		2020	2019
Paper	tonnes	5.29	5.99
Ink cartridge	tonnes	0.01	0.01
Total non-hazardous wastes	tonnes	5.30	6.00
Total non-hazardous wastes intensity	tonnes/employee	0.05	0.06

## A2. Use of Resources

The Group continues with initiatives to promote resource efficiency and eco-friendly measures, and is committed to optimising the use of resources in business operations. During our daily operations, different kinds of resources such as electricity and water are frequently consumed. The Group has therefore established relevant policies and procedures in governing the efficient use of resources with reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of materials.

### ***Energy Management***

The Group has developed an energy management system and related measures to improve our performances on energy conservation. Employees are required to adopt the implemented measures and assume responsibility to improve the Group's overall energy efficiency. By establishing an energy management system, the Group develops and regularly reviews our energy consumption objectives and targets to continuously enhance the Group's energy consumption performance. Unexpected high consumption of energy will be investigated to find out the root cause and take preventive measures.

# Environmental, Social and Governance Report

The energy consumed by the Group was mainly electricity consumption for operation. The Group has introduced various measures and initiatives to achieve the goal of electricity saving and efficient consumption. Such measures and initiatives include but are not limited to the following:

- Apply optimal temperature setting of air-conditioning;
- Distribute office memos to remind staff to switch off computers before leaving the office;
- Remind staff to switch off all unnecessary electrical appliances such as lights and air-conditioners before leaving the office every day;
- Encourage staff to utilise electronic communication means such as video conferences in order to reduce air and carbon emissions resulted from transportation needed for meetings; and
- Post green messages on the information portal to raise colleagues' awareness in energy conservation.

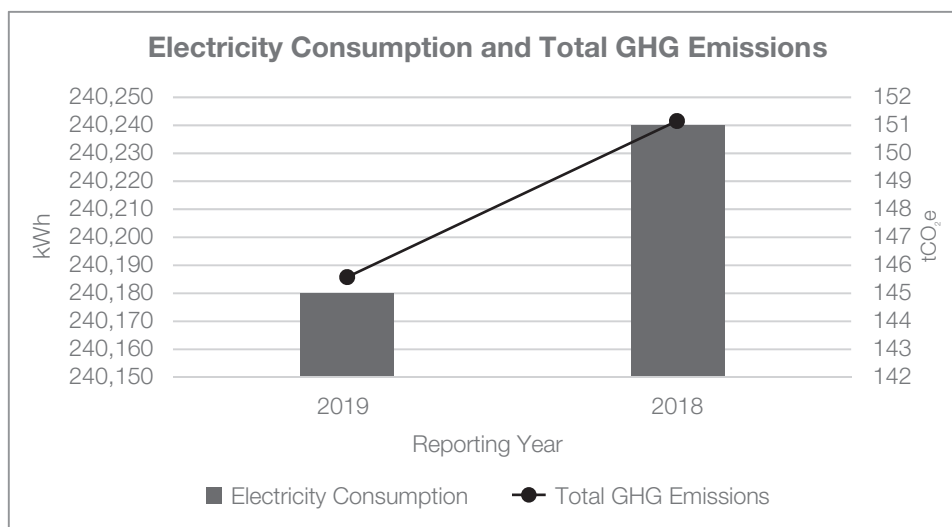
In addition, the Group also posts power-saving slogans to raise employees' awareness of energy conservation and environmental protection. Through the implementation of the above measures, the Group's total energy consumption intensity has slightly increased by about 2% from approximately 2,378.02 kWh per employee in 2019 to approximately 2,426.67 kWh per employee in 2020. The Group's energy consumption performances were as follows:

Types of energy	Unit	Consumption	
		2020	2019
Total energy consumption	kWh	240,240.00	240,180.00
Total energy consumption intensity	kWh/employee	2,426.67	2,378.02
<b>Indirect energy consumption</b>			
Purchased electricity	kWh	240,240.00	240,180.00



# Environmental, Social and Governance Report

The following chart sets out the electricity consumption and total GHG emissions performances:



## **Water Management**

The Group’s water consumption was mainly domestic water consumed in office. The Group is dedicated in promoting behavioural changes in water consumption at office and encourage water conservation. Environmental signages relating to water saving messages are posted in prominent places to remind employees to conserve water.

Since 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 2020. Moreover, in view of the geographical location of the Group’s operation, the Group does not encounter any significant issue in sourcing water that is fit for purpose.

## *Use of Packaging Material*

Due to the Group’s business nature, the Group 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

Although the core business of the Group has remote impact on the environment and natural resources, the Group recognises 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 our business activities through adopting industrial best practices targeted at reducing natural resources consumption and effective emission management. The Group regularly assesses 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 installing air purifying equipment in the workplace and regularly cleaning air conditioning systems, the Group maintains a good indoor air quality, which leads to a pleasant working environment for our staff.

## B. SOCIAL

### B1. Employment

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

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with employment-related laws and regulations, including but not limited to the Hong Kong Employment Ordinance, the Hong Kong Disability Discrimination Ordinance, and the Labour Law of the People's Republic of China that would have a significant impact on the Group.

# Environmental, Social and Governance Report

## ***Employment Practices***

### *Recruitment, Promotion and Dismissal*

The Group adheres to the principles of openness and fairness to adopt a robust recruitment process based on merit selection against the job criteria applied. Job applicants are assessed based on their suitability for the positions and potential to fulfil the Group's current and future needs, regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their capability and contribute the Group's sustainable growth. Promotions are subjected to annual performance review, and the Group offers rewards to employees in encouraging their continuous development.

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis. Any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissal.

### *Remuneration and Benefits*

The Group has established a fair, reasonable and competitive remuneration system. Employees of the Group are remunerated at a competitive level, and remuneration packages are reviewed annually by the Group by taking into account 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, mandatory provident fund, overtime payment and discretionary bonus.

### *Work-life Balance*

The Group recognises the importance of maintaining a healthy and work-life balance lifestyle for our employees. Thus, the Group strives to establish a harmonious labour relationship and create a happy working environment which promotes positive and healthy lifestyles. The Group supports a work-life balance workplace through improving employees' working environment and reviewing their working hours and rest periods regularly. The Group also actively engages our employees through various social events, such as employee bonding activities, outing, volunteer works and charity activities.

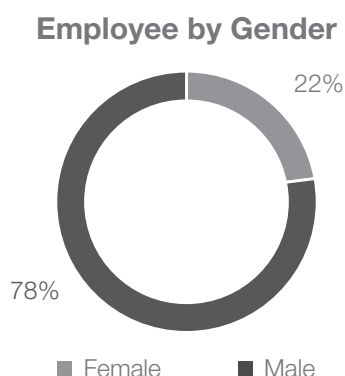
## ***Diversity, Equal Opportunities and Anti-discrimination***

The Group recognises the value of a diverse and skilled workforce, and is 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 is 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.

# Environmental, Social and Governance Report

Moreover, the Group has zero tolerance on any forms of sexual harassment or abuse in the workplace. Any employee who is intimidated, humiliated, bullied or harassed may report to the employees' representative, or file complaints directly to the management representative, and the Group will take serious approaches to resolves these issues upon receiving the said complaints.

As at the year ended 31 March 2020, the Group had a total of 99 full-time employees under the Group's business activities in Hong Kong office. The breakdown of employees according to gender is shown as follows:



Apart from maintaining a diversified workforce, the Group has also set out approach to achieve diversity within the Board so as to enhance the quality of its performance, while achieving sustainable and balanced development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. As at 31 March 2020, the Board comprised of both male and female Directors with various educational background and professional experience.

## **B2. Health and Safety**

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

To maintain a safe working environment, 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 takes the responsibilities for employees' occupational health and safety issues as well as relevant promotions and monitoring. The Group 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.

# Environmental, Social and Governance Report

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with health and safety-related laws and regulations, including but not limited to the Hong Kong Occupational Safety and Health Ordinance, and the Labour Law of the People's Republic of China that would have a significant impact on the Group.

## ***Safety Trainings and Inspections***

Employees are required to attend trainings organised by the Group in regards to occupational safety and environmental control. Emergency and evacuation procedures were established to respond any major safety accidents in a timely and orderly manner. Employees are also free to provide feedbacks on improving workplace safety, and report any potential hazards that may lead to injuries.

The Group also places heavy emphasis to our employees that strict compliance with safety regulations and requirements imposed by relevant government authorities is vital to ensure zero accidents, specifically when they are working on-site. Therefore, the Group has formulated procedures to ensure employees who are required to work on-site have obtained a valid Construction Industry Safety Training Certificate (also known as the green card).

In response to the outbreak of the COVID-19 pandemic, the Group has taken certain actions to strengthen the health and safety precautionary measures in our workplace so as to ensure the health of our employees. Apart from increasing the frequency of office cleaning and sterilisation, employees are also required to wear surgical face mask in office areas and check their body temperature prior to work every day. Epidemic prevention supplies such as thermometer and alcohol-based hand sanitisers are provided for employees, and guideline on the disposal of surgical face mask is provided to employees to ensure face mask are properly disposed after use. The Group has strictly followed guidelines and announcements made by the Center for Health Protection in regards to epidemic prevention, and the Group strives to providing a healthy and safe working environment for which employees are comfortable to work at.

## **B3. Development and Training**

The Group regards our staff as the most important asset and resource, and the Group recognises the valuable contribution our talents made to the continued success of the Group. The Group is committed to inspiring our human capital towards delivering excellence and strive to create an intellectually-stimulating environment within which employees do not only develop basic skills and knowledge, but also specific talent and ability. 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.

# Environmental, Social and Governance Report

## *Training and Development*

The Group recognises the importance of training and development for our staff to keep abreast of the latest trends in the industry. The Group regularly organises workshops, seminars and training programs for employees, which aim to improve their level of skills and knowledge while maximising their potentials. Such training programs include but not limited to CPD seminars on couplers, and technical seminars on Hilti anchor and post-installed rebar.

The Group also encourages our employees to attend trainings and enrich themselves through acquiring higher professional skills and qualifications. Various training programs such as induction trainings and vocational trainings are organised by the Group, thus allowing employees to better understand the Group's business model and enhance their technical skills and expertise.

## **B4. Labour Standards**

### *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 local laws and prohibits any child and forced labour employment. The Group's Human Resources and Administrative Department is responsible to monitor and ensure compliance of latest and relevant laws and regulations that prohibits child labour and forced labour.

To avoid illegal employment of child labour, underage workers and forced labour, personal data are collected during the recruitment 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. If violation is involved, it will be dealt with in the light of circumstances.

During the year ended 31 March 2020, 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 Hong Kong Employment Ordinance and the Labour Law of the People's Republic of China that would have a significant impact on the Group.

## **B5. Supply Chain Management**

The Group highly values our relationship with subconsultants, and regards them as important business partners. All subconsultants are evaluated carefully and is subjected to regular monitoring and assessment. In view of green supply chain management, the Group is aware of the environmental and social practices of subconsultants, and strive to engage subconsultants with responsible acts to society.

# Environmental, Social and Governance Report

## ***Subconsultant Management***

In order to ensure subconsultants have met clients' and our requirements in regards to quality as well as environmental and safety standards, the Group has formulated stringent procedures and standards 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 Group will continue to regularly examine our supply chain in regards to their performance, and the environmental and social standards.

## ***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 manner. The Group stresses heavily on the integrity of our subconsultants and only select subconsultants with good business track records. The Group does not differentiate or discriminate against any subconsultants; and the Group does not allow any forms of corruption or bribery. The Group strictly monitors and prevents all kinds of business bribery; and employees or other individuals having any interest with the subconsultants will not be allowed to participate in related business activity.

## **B6. Product Responsibility**

Achieving and maintaining high quality standard for projects are utmost important for sustainable growth of the Group. The Group believes completing works that meet or exceed our customer's requirements is crucial for job references and future business opportunities. The Group regularly controls and monitors the process of each project in order to ensure that it delivers high quality services and sustainable projects to our customers.

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress, including but not limited to the Hong Kong Copyright Ordinance, the Hong Kong Personal Data (Privacy) Ordinance, and the Patent Law of the People's Republic of China that would have a significant impact on the Group.

## ***Quality Management***

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

# Environmental, Social and Governance Report

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

## ***Customer Service***

Maintaining good communication with our customers has been the Group's underlying principle for effective customer management. 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.

## ***Protection of 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 actions. 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 to our success. Therefore, protecting and maintaining customers' privacy always remain in the first priority of the Group. The Group has established security measures to provide adequate protection and encryption for all data and information upon operation. At the same time, the Group has established strict policies for the collection and use of personal data. Our employees are prohibited from revealing or capitalising on any confidential matters or client's information no matter during employment or after termination of employment. Any employee who is found to have divulged confidential information to any third parties without authorisation will be subjected to disciplinary actions.

## ***Advertising and Labelling***

As the Group's operational process does not involve advertising and labelling practices, information relating to advertising and labelling is considered as non-material to the Group.



# Environmental, Social and Governance Report

## **B7. Anti-corruption**

The Group values and upholds integrity, honesty and fairness, and the Group strives to achieving high standards of ethics in our business operations. Fraudulent events such as corruption, bribery, and collusion are strictly prohibited. The Group has 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 2020, the Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the Hong Kong Prevention of Bribery Ordinance and the Company Law of the People's Republic of China that have significant impact on the Group.

### ***Anti-money Laundering***

The Group has formulated the Anti-money Laundering and Counter-terrorist Financing Policy to ensure that the Group has complied with all regulatory rules. An assessment of the risk of money laundering in the Group's operations will be conducted by the Finance Department annually. Responsible departments will also conduct due diligence prior to the acceptance of business counterparties. For any indicators of suspicious activities, the Financial Manager will report to corresponding independent parties immediately.

### ***Whistleblowing Mechanism***

To further achieve and maintain the highest degree of openness, probity and accountability, the Group has established a whistle-blowing system and implemented the Whistle-blowing Policy. This policy allows all employees and stakeholders of the Group to report any forms of negligence, corruption, bribery and other misconducts to the Group. Reports and complaints received will be handled in a prompt, fair and confidential manner. Such policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions. Any person who is found to have victimised or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

## **B8. Community Investment**

### ***Corporate Social Responsibility***

The Group is committed to emboldening and supporting the public by various means of social participation and contribution as part of our strategic development. The Group strives to nurture corporate culture and practice corporate citizenship in the daily work life. To fulfil our corporate social responsibility, the Group focuses on inspiring our employees' sense of social responsibility by encouraging them to participate in charitable activities during their work and spare time. The Group also believes participating in activities that repay the society can increase our employees' civic awareness, while establishing correct values. The Group embraces 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
<b>Aspect A1: Emissions</b>		
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.	Not applicable — Explained
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
<b>Aspect A2: Use of Resources</b>		
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 Management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Management
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Management
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 Management
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Not applicable — Explained
<b>Aspect A3: The Environment and Natural Resources</b>		
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
<b>Aspect B1: Employment</b>		
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, anti-discrimination, and other benefits and welfare.	Employment
<b>Aspect B2: Health and Safety</b>		
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
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
<b>Aspect B4: Labour Standards</b>		
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
<b>Aspect B5: Supply Chain Management</b>		
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
<b>Aspect B6: Product Responsibility</b>		
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
<b>Aspect B7: Anti-corruption</b>		
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
<b>Aspect B8: Community Investment</b>		
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 2020. 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 was not aware of any non-compliance with the required standard of dealings and the Company's code of conduct regarding securities transactions by Directors during the year ended 31 March 2020.

## **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 Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran.

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 majority of 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 strategies with long-term vision and objective without interruption. Our senior management team is familiar with the operations of our Group, and is 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 of the Board 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**”). 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.

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.

## 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, to review past financial and operating performance and discuss the Group’s direction and strategies. Ten Board meetings were held during the year ended 31 March 2020 and the attendance record of each Director at the Board meetings is set out in the table below:

<b>Name of Directors</b>	<b>Number of attendance/ number of Board meetings</b>
<b>Executive Directors</b>	
Dr. Chan Yin Nin ( <i>Chairman</i> )	10/10
Mr. Kwong Po Lam ( <i>Managing Director</i> )	6/10
Ms. Su Xiaoyan ( <i>appointed on 6 June 2019</i> )	7/9
<b>Independent non-executive Directors</b>	
Ms. Chu Moune Tsi, Stella	10/10
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	10/10
Mr. Sze Kyran, <i>MH</i>	10/10



# 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; developing and reviewing 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. 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 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 2020, all Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of trainings
<b>Executive Directors</b>	
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> )	i and ii
<b>Independent non-executive Directors</b>	
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 2020 are summarised as below:

- (1) reviewed the Group's annual report for the year ended 31 March 2019, and first quarterly report, interim report and third quarterly report for the periods ended 30 June 2019, 30 September 2019 and 31 December 2019, 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 2020;
- (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 2020, five 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
<b>Independent non-executive Directors</b>	
Ms. Chu Moune Tsi, Stella ( <i>Chairlady</i> )	5/5
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	5/5
Mr. Sze Kyran, <i>MH</i>	5/5

## 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, make recommendations to the Board on the remuneration packages and/or remuneration of individual Directors and senior management, and review performance based remuneration; and ensure none of the Directors is involved in determining his/her own remuneration.

The works performed by the Remuneration Committee during the year ended 31 March 2020 are summarised below:

- (1) reviewed the remuneration of the Directors and senior management for the year ended 31 March 2020.

# Corporate Governance Report

During the year ended 31 March 2020, three Remuneration Committee meetings were held. The attendance record of each Director at the Remuneration Committee meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Remuneration Committee meetings
<b>Executive Directors</b>	
Dr. Chan Yin Nin	3/3
Mr. Kwong Po Lam	2/3
<b>Independent non-executive Directors</b>	
Mr. Sze Kyran, <i>MH (Chairman)</i>	3/3
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	3/3
Ms. Chu Moune Tsi, Stella	3/3

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 11 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 2020 is as follows:

	Number of employees
Not exceeding HK\$500,000	—
HK\$500,001 to HK\$1,000,000	4
HK\$1,000,001 to HK\$1,500,000	3

## 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 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](http://www.wcce.hk).

The works performed by the Nomination Committee during the year ended 31 March 2020 are summarised below:

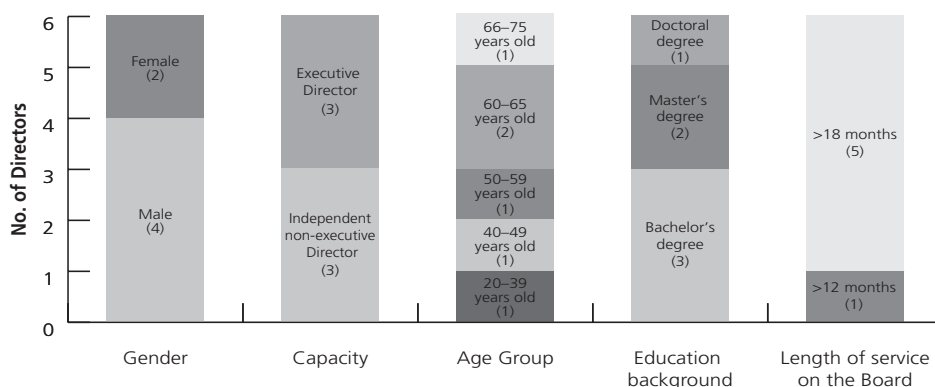
- (1) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- (2) recommended on proposed changes to the Board to complement the Company's corporate strategy;
- (3) assessed the independence of independent non-executive Directors; and
- (4) reviewed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

During the year ended 31 March 2020, two Nomination Committee meetings were held. The attendance record of each Director at the Nomination Committee meetings is set out in the table below:

<b>Name of Directors</b>	<b>Number of attendance/ number of Nomination Committee meetings</b>
<b>Executive Directors</b>	
Dr. Chan Yin Nin	2/2
Mr. Kwong Po Lam	2/2
<b>Independent non-executive Directors</b>	
Mr. Choy Wai Shek, Raymond, <i>MH, JP (Chairman)</i>	2/2
Ms. Chu Moune Tsi, Stella	2/2
Mr. Sze Kyran, <i>MH</i>	2/2

# 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 2020 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 2020 are set out in the independent auditor's report on pages 76 to 81 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 ended 31 March 2020, 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 and applicable laws.

The Group has engaged Wellink Corporate Advisory Limited, an independent internal control adviser, 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. For the year ended 31 March 2020, 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 2020, 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 adequate and effective 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. They ensure 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 and internal control adviser), conducts a 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 2020, 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:

	2020 HK\$'000	2019 HK\$'000
Statutory audit services	420	400
Non-audit services*	215	250

\* The non-audit services were mainly for reviewing interim and 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 2020. 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 websites of the Stock Exchange and the Company 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 branch share registrar in Hong Kong of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (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 Eligible 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 the Board will not accordingly 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 of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

## **PROCEDURES FOR RAISING ENQUIRIES**

### **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 principal place of business of the Company 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 written enquiries to the 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 development and financial performance through its annual, interim and quarterly reports. The corporate website of the Company ([www.wcce.hk](http://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 2020, he/it has complied with the terms of non-compete undertakings (the “**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 for the year ended 31 March 2020.

# Directors' Report

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

## **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 of Cayman Islands.

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 27 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2020.

## **BUSINESS REVIEW**

The business review of the Group for the year ended 31 March 2020 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 2020 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 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 44 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 subconsultants. To comply with the laws and regulations of its operating countries, the Group has established stringent internal controls on 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 82 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The Annual General Meeting is scheduled to be held on Monday, 3 August 2020. In order to determine eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 28 July 2020 to Monday, 3 August 2020, 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, 27 July 2020.

## **FINANCIAL SUMMARY**

The summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 144 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 14 to the consolidated financial statements.



# Directors' Report

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

## USE OF PROCEEDS FROM THE SHARE OFFER

As at 31 March 2020, 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) 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 and 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) 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. Any further grant of options in excess of this 1% limit must be approved by the Shareholders in general meeting in advance.

Options granted to a substantial Shareholder or an independent non-executive Director or 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 remittance 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 8 years.

No options have been granted during the year ended 31 March 2020 and there were no options outstanding as at 31 March 2020.

## **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 84 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to the Shareholders, comprising share premium and retained profits, calculated in accordance with the Companies Law of Cayman Islands amounted to approximately HK\$26.5 million (2019: 31.3 million).

## CHARITABLE DONATIONS

During the year ended 31 March 2020, the Group did not make any charitable or other donations.

## MAJOR CUSTOMERS AND SUBCONSULTANTS

For the year ended 31 March 2020, the percentage of revenue attributable to the Group's major customers is set out below:

### Revenue

- The largest customer	10.2%
- The total of the five largest customers	23.8%

For the year ended 31 March 2020, the percentage of cost of services attributable to the Group's major subconsultants is set out below:

### Cost of services

- The largest subconsultant	25.0%
- The total of the five largest subconsultants	61.4%

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 five largest subconsultants during the year ended 31 March 2020.

# 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*)

Mr. Kwong Po Lam (*Managing Director*)

Ms. Su Xiaoyan (*appointed on 6 June 2019*)

### Independent non-executive Directors

Ms. Chu Moune Tsi, Stella

Mr. Choy Wai Shek, Raymond, *MH, JP*

Mr. Sze Kyran, *MH*

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 and Mr. Kwong Po Lam will retire and, being eligible, offer themselves for re-election at the Annual General Meeting pursuant to Article 84 of the Articles.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 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 2020 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 2020.

## **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 11 and note 12 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.

The Group offers competitive remuneration and benefit package to its 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 the 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 2020.

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 2020.

# 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 its Associated Corporation

As at 31 March 2020, 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 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 <sup>(Note 2)</sup>
Dr. Chan Yin Nin ("Dr. Chan") <sup>(Note 1)</sup>	Interest in controlled corporation	471,072,000 ordinary Shares	49.07%
Mr. Kwong Po Lam ("Mr. Kwong") <sup>(Note 1)</sup>	Interest in controlled corporation	471,072,000 ordinary Shares	49.07%

Notes:

(1) Manning Properties 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, 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.

(2) Based on the number of issued Share of 960,000,000 as at 31 March 2020.



# 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	Beneficial owner	7,500 ordinary shares	68.2%
Mr. Kwong	Manning Properties	Beneficial owner	3,500 ordinary shares	31.8%

*Note:* Manning Properties 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 2020, 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 2020, 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 <sup>(Note 4)</sup>
Manning Properties <sup>(Note 1)</sup>	Beneficial owner	471,072,000 ordinary Shares	Long	49.07%
Ms. Julia Gower Chan <sup>(Note 2)</sup>	Interest of spouse	471,072,000 ordinary Shares	Long	49.07%
Ms. Leung Kwai Ping <sup>(Note 3)</sup>	Interest of spouse	471,072,000 ordinary Shares	Long	49.07%

Notes:

- (1) Manning Properties 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, 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.
- (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 2020.

# Directors' Report

Save as disclosed above, as at 31 March 2020, 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 its Associated Corporation" above, had notified the Company of an interest or a 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 2020 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 2020, 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 2020 undertaken in the normal course of business are provided under note 26(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 the Listing Date and has continued to maintain such a float under the GEM Listing Rules as at the date of this annual report.

## **AUDITOR**

The Company has not changed its auditor since the Listing Date and up to the date of this report. The consolidated financial statements of the Company for the year ended 31 March 2020 have been audited by Wellink CPA Limited. 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.

# 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.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 28 to consolidated financial statements.

By order of the Board  
**WAC Holdings Limited**

**Dr. Chan Yin Nin**  
*Chairman*

Hong Kong, 22 June 2020

# 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 82 to 143, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (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 6 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 2020, the Group recognised revenue from comprehensive structural and geotechnical engineering consultancy services amounting to approximately HK\$58,864,000. 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. The management reviews and revises the estimates of contract costs for the comprehensive structural and geotechnical engineering consultancy services as the contract progresses, hence the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates previously made 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 cost 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 total budgeted 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 2020, the Group's net trade receivables and contract assets amounted to approximately HK\$23,910,000 and HK\$12,629,000 respectively, which are material to the consolidated financial statements.

As disclosed in note 5 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 5(a) to the consolidated financial statements, the Group recognised an additional amount of approximately HK\$3,148,000 of impairment of trade receivables and contract assets. The Group's lifetime ECL on trade receivables and contract assets as at 31 March 2020 amounted to approximately HK\$4,010,000 and approximately HK\$610,000, 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;
- Tracing the information used by management to develop the provision matrix as at 31 March 2020 to supporting basis on a sample basis;
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2020, 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 4, 5(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**") is 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# 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, 22 June 2020

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March	
		2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	6	58,864	64,629
<b>Cost of services</b>		(40,856)	(40,833)
<b>Gross profit</b>		18,008	23,796
Other income	7(a)	1,100	689
Other losses, net	7(b)	(1,632)	(6)
Listing expenses		—	(5,427)
General and administrative expenses		(24,627)	(18,387)
Finance costs	8	(150)	(147)
<b>(Loss)/Profit before taxation</b>	9	(7,301)	518
Income tax credit/(expenses)	10	337	(937)
<b>Loss for the year attributable to owners of the Company</b>		(6,964)	(419)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		85	89
Other comprehensive income for the year, net of tax		85	89
<b>Total comprehensive expenses for the year attributable to owners of the Company</b>		(6,879)	(330)
<b>Loss per share attributable to owners of the Company</b>			
– basic and diluted (HK cents)	13	(0.73)	(0.05)

# Consolidated Statement of Financial Position

		At 31 March	
	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	667	725
Right-of-use assets	15	3,046	–
Deposits paid		–	782
Deferred tax assets	16(b)	526	92
		<u>4,239</u>	<u>1,599</u>
<b>Current assets</b>			
Trade and other receivables	17	25,446	19,994
Contract assets	18	12,629	13,146
Income tax recoverable	16(a)	503	926
Bank balances and cash	19	32,318	42,219
		<u>70,896</u>	<u>76,285</u>
<b>Current liabilities</b>			
Trade and other payables	20	4,076	3,367
Contract liabilities	21	3,683	3,294
Lease liabilities	22	2,002	–
Income tax payable	16(a)	270	275
		<u>10,031</u>	<u>6,936</u>
<b>Net current assets</b>		<u>60,865</u>	<u>69,349</u>
<b>Total assets less current liabilities</b>		<u>65,104</u>	<u>70,948</u>
<b>Non-current liabilities</b>			
Lease liabilities	22	1,200	–
<b>NET ASSETS</b>		<u>63,904</u>	<u>70,948</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	23	9,600	9,600
Reserves		54,304	61,348
<b>Equity attributable to owners of the Company</b>		<u>63,904</u>	<u>70,948</u>

The consolidated financial statements on page 82 to 143 were approved and authorised for issue by the board of Directors on 22 June 2020 and are signed on its behalf by:

**CHAN Yin Nin**  
Director

**KWONG Po Lam**  
Director

# Consolidated Statement of Changes in Equity

	Attributable to 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	
<b>At 1 April 2018</b>	10	14,997	647	49	76	12,146	27,925
Loss for the year	-	-	-	-	-	(419)	(419)
Other comprehensive income	-	-	-	-	89	-	89
Total comprehensive income/(expenses)	-	-	-	-	89	(419)	(330)
Shares issued pursuant to the Capitalisation Issue (Note 23b(ii))	6,710	(6,710)	-	-	-	-	-
Shares issued pursuant to the Share Offer (Note 23b(iii))	2,880	54,720	-	-	-	-	57,600
Share issue expenses	-	(14,247)	-	-	-	-	(14,247)
<b>At 31 March 2019</b>	<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>
Impact on initial application of HKFRS 16	-	-	-	-	-	(165)	(165)
<b>At 1 April 2019, as restated</b>	9,600	48,760	647	49	165	11,562	70,783
Loss for the year	-	-	-	-	-	(6,964)	(6,964)
Other comprehensive income	-	-	-	-	85	-	85
Total comprehensive income/ (expenses)	-	-	-	-	85	(6,964)	(6,879)
<b>At 31 March 2020</b>	<u>9,600</u>	<u>48,760</u>	<u>647</u>	<u>49</u>	<u>250</u>	<u>4,598</u>	<u>63,904</u>

# Consolidated Statement of Cash Flows

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
<b>Operating activities</b>		
(Loss)/profit before taxation	(7,301)	518
Adjustments for:		
Finance costs	150	147
Interest income	(595)	(229)
Rent concession income	(49)	–
Depreciation	3,051	292
	<hr/>	<hr/>
<b>Operating cash flows before changes in working capital</b>	<b>(4,744)</b>	<b>728</b>
Changes in working capital:		
Decrease/(increase) in contract assets	502	(13,189)
Increase in contract liabilities	390	3,295
Decrease in amounts due from customers for contract work	–	12,150
Decrease in amounts due to customers for contract work	–	(1,986)
(Increase)/decrease in trade and other receivables	(4,675)	2,376
Increase/(decrease) in trade and other payables	748	(3,874)
	<hr/>	<hr/>
<b>Cash used in operations</b>	<b>(7,779)</b>	<b>(500)</b>
Income tax refund/(paid)	325	(1,228)
Interest paid	(150)	(147)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(7,604)</b>	<b>(1,875)</b>

# Consolidated Statement of Cash Flows

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
<b>Investing activities</b>		
Purchase of property, plant and equipment	(321)	(423)
Interest received	595	229
<b>Net cash generated from/(used in) investing activities</b>	<b>274</b>	<b>(194)</b>
<b>Financing activities</b>		
Repayment of lease liabilities	(2,637)	–
New bank loans raised	–	500
Repayment of bank loans	–	(9,375)
Net proceed from Share Offer	–	57,600
Repayment to controlling shareholders	–	(389)
Payment of Listing expenses	–	(10,636)
<b>Net cash (used in)/generated from financing activities</b>	<b>(2,637)</b>	<b>37,700</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,967)</b>	<b>35,631</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>42,219</b>	<b>6,633</b>
<b>Effect of foreign exchange rate changes</b>	<b>66</b>	<b>(45)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>32,318</b>	<b>42,219</b>

# 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 GEM of The Hong Kong of Stock Exchange Limited (“**Stock Exchange**”) since 17 September 2018. The principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements.

## 2. 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 the Group’s financial year beginning on 1 April 2019. Of these, the following developments are relevant to the Group’s consolidated financial statements:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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.



# Notes to the Consolidated Financial Statements

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

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

#### ***HKFRS 16 Leases (“HKFRS 16”)***

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

#### *Definition of a lease*

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

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

#### *The Group as a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

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

- i. excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- ii. applied the exemption not to recognise right-of-use assets and lease liabilities for the lease term ends within 12 months of the date of initial application.

# Notes to the Consolidated Financial Statements

## 2. 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 16*

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets for leases previously classified as operating leases applying HKAS 17. The Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate of relevant group entities at the date of initial application. The Group’s weighted average incremental borrowing rate applied is 3.86%. The Group measured the right-of-use assets at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the incremental borrowing rate of relevant group entities at the date of initial application.

The lease liabilities as at 1 April 2019 reconciled to the operating leases commitments as at 31 March 2019 is as follows:

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	4,688
Less:	
Lease liabilities discounted at relevant incremental borrowing rates	(150)
Short-term leases accounted for as expense using the straight-line basis	<u>(66)</u>
Lease liabilities as at 1 April 2019	<u><u>4,472</u></u>

# Notes to the Consolidated Financial Statements

## 2. 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 16 (Continued)*

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

The following table summarises the impacts of applying of HKFRS 16 on the Group’s consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$’000	Adjustments HK\$’000	Carrying amounts after application of HKFRS 16 at 1 April 2019 HK\$’000
<b>Non-current assets</b>			
Right-of-use assets	–	4,307	4,307
<b>Current liabilities</b>			
Lease liabilities	–	2,554	2,554
<b>Non-current liabilities</b>			
Lease liabilities	–	1,918	1,918
<b>Reserves</b>			
Retained earnings	<u>11,727</u>	<u>(165)</u>	<u>11,562</u>

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

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

# Notes to the Consolidated Financial Statements

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

### (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 3 (Amendments)	Definition of a Business <sup>4</sup>
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

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

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

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.

## 3. 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 GEM of the Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars (“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

## 3. 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 4.

### (b) Basis of consolidation

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) 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.

#### (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.

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) 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%–33%

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.

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.

### (e) Leases

#### ***Leases (upon application of HKFRS 16 in accordance with transitions in note 2(a))***

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leases (Continued)

#### *The Group as a lessee*

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

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

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

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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



# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leases (Continued)

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

##### *Refundable rental deposits*

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

##### *Lease liabilities*

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

The lease payments include:

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

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

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

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

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leases (Continued)

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

##### *Lease modifications*

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group has applied the practical expedient that elects not to assess whether a rent concession is a lease modification in relation to the rent concession occurring as a direct consequence of the COVID-19 pandemic and the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

#### *Leases (prior to 1 April 2019)*

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.

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) 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. 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.

#### **Financial assets**

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

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

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

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.

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets*

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.

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;

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (Continued)

#### *Financial assets (Continued)*

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

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

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

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

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

#### (ii) Definition of default

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

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

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (Continued)

#### *Financial assets (Continued)*

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

#### (iii) Credit-impaired financial assets

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

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

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 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.

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (Continued)

#### *Financial assets (Continued)*

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

#### (v) Measurement and recognition of ECL

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

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

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.

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (Continued)

#### ***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.

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.



# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) 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.

### (h) 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.

# Notes to the Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) 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.

### (j) 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.

### (k) Revenue recognition

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Revenue recognition (Continued)

#### *Revenue from contracts with customers (Continued)*

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) 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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) 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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) 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.

### (n) 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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) 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.

### (o) 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

## 4. 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 5(a), 17 and 18.



# Notes to the Consolidated Financial Statements

## 5. 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 2020, 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*

The Group has concentration of credit risk from its major customers. For the year ended 31 March 2020, aggregate revenue from the top five customers of the Group accounted for 23.8% (2019: 23.1%) of the total revenue. Amounts due from them as at 31 March 2020 amounted to approximately HK\$5,852,000 (2019: HK\$2,037,000), representing 25.7% (2019: 12.3%) of the total trade receivables of the Group and contract assets relating to these five customers amounted to approximately HK\$1,262,000 (2019: HK\$2,747,000), representing 10.0% (2019: 20.9%) of the total contract assets of the Group. These major customers are mainly construction companies in Hong Kong 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 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

## 5. 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 2020, 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 300 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

## 5. 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:

2020	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				HK'000	HK'000
<b>Financial assets at amortised costs</b>					
Trade receivables	N/A	High	Lifetime ECL – not credit-impaired	18,858	
		Medium	Lifetime ECL – not credit-impaired	3,981	
		Low	Lifetime ECL – not credit-impaired	3,634	
		Loss	Lifetime ECL – credit-impaired	1,447	27,920
Bank balances	A3–Aa1	N/A	12m ECL	32,318	32,318
Utility deposits	N/A	High	12m ECL	782	782
Other receivables	N/A	High	12m ECL	71	71
<b>Other item</b>					
Contract assets	N/A	High	Lifetime ECL – not credit-impaired	8,478	
		Medium	Lifetime ECL – not credit-impaired	1,484	
		Low	Lifetime ECL – not credit-impaired	3,277	13,239

# Notes to the Consolidated Financial Statements

## 5. 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:

2019	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				HK'000	HK'000
<b>Financial assets at amortised costs</b>					
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
<b>Other item</b>					
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

## 5. 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 within lifetime ECL (not credit impaired). Debtors which are credit-impaired with gross carrying amounts of HK\$1,447,000 (2019: HK\$1,994,000) as at 31 March 2020 were assessed individually.

#### *Gross carrying amount as at 31 March 2020*

Internal credit rating	Average loss rate	Trade receivables HK\$'000	Contract assets HK\$'000
High	6.69%	18,858	8,478
Medium	10.41%	3,981	1,484
Low	11.22%	3,634	3,277
		26,473	13,239

#### *Gross carrying amount as at 31 March 2019*

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
		17,548	13,312

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 2020, the Group provided HK\$2,533,000 (2019: HK\$797,000) impairment allowance and reversed HK\$272,000 (2019: HK\$840,000) impairment allowance for trade receivables respectively, based on the provision matrix. Impairment allowance of HK\$684,000 was transferred from lifetime ECL – not credit-impaired to lifetime – credit-impaired. Additional impairment allowance of HK\$710,000 (2019: HK\$1,314,000) were made on debtors which are credit impaired debtors.

# Notes to the Consolidated Financial Statements

## 5. 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
<b>As at 1 April 2018</b>	–	–
Impairment losses recognised	166	166
<b>As at 31 March 2019 and 1 April 2019</b>	166	166
Reversal of impairment loss	(122)	(122)
Impairment losses recognised	567	567
Exchange adjustments	(1)	(1)
<b>As at 31 March 2020</b>	<u>610</u>	<u>610</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
<b>As at 1 April 2018</b>	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)
<b>As at 1 April 2019</b>	986	1,931	2,917
Reversal of impairment losses	(272)	(268)	(540)
Transfer to credit-impaired	(684)	684	–
Impairment losses recognised	2,533	710	3,243
Write-offs	–	(1,610)	(1,610)
<b>As at 31 March 2020</b>	<u>2,563</u>	<u>1,447</u>	<u>4,010</u>

# Notes to the Consolidated Financial Statements

## 5. 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 2020 and 2019.

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
<b>At 31 March 2020</b>						
Trade and other payables	2,455	2,455	2,455	-	-	-
<b>At 31 March 2019</b>						
Trade and other payables	2,953	2,953	2,953	-	-	-

### (c) Foreign currency exchange risk

For presentation purpose, the Group's consolidated financial statements is shown in Hong Kong dollars. As at 31 March 2020 and 2019, 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.

# Notes to the Consolidated Financial Statements

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (d) Financial instruments by categories

	At 31 March	
	2020	2019
	HK\$'000	HK\$'000
<b>Financial assets</b>		
Amortised cost	57,081	58,914
<b>Financial liabilities</b>		
Amortised cost	2,455	2,953

### (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 2020 and 2019.

## 6. 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	
	2020	2019
	HK\$'000	HK\$'000
Disaggregated by major services lines		
– Construction of new properties	35,036	43,925
– Refurbishment/maintenance of existing properties	18,368	16,651
– Others	5,460	4,053
	58,864	64,629

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



# Notes to the Consolidated Financial Statements

## 6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Revenue (Continued)

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

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$92,373,000. 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 carried out. The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 are as follows:

	At 31 March	
	2020 HK\$'000	2019 HK\$'000
Expected to be recognised within one year	37,967	34,991
Expected to be recognised after one year	54,406	24,469
	<u>92,373</u>	<u>59,460</u>

### (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 2020 and 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.

# Notes to the Consolidated Financial Statements

## 6. REVENUE AND SEGMENT INFORMATION

### (b) Segment reporting (Continued)

#### *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	
	2020	2019
	HK\$'000	HK\$'000
Customer A	6,025	—*

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

## 7. OTHER INCOME AND OTHER LOSSES, NET

### (a) Other income

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Bad debts written back	—	88
Rent concession income	49	—
Sundry income	456	372
Interest income	595	229
	<u>1,100</u>	<u>689</u>

### (b) Other losses, net

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Exchange losses, net	(94)	(138)
Impairment losses for trade receivables and contract assets, net of reversal	(1,538)	132
	<u>(1,632)</u>	<u>(6)</u>

# Notes to the Consolidated Financial Statements

## 8. FINANCE COSTS

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Interest on bank borrowings	–	147
Interest on lease liabilities	150	–
	<u>150</u>	<u>147</u>

## 9. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
<b>(a) Staff costs</b>		
Directors' remuneration ( <i>note 11</i> )	6,610	4,933
Salaries, wages and other benefits	38,337	37,325
Contributions to defined contribution retirement plan, excluding those of directors	1,515	1,299
Total staff costs	46,462	43,557
Less: Amount included in general and administrative expenses	(9,415)	(6,227)
Total staff costs included in cost of services	<u>37,047</u>	<u>37,330</u>
<b>(b) Other items</b>		
Auditor's remuneration:		
– Audit service for the year	420	400
– Non-audit services	215	12
– Over-provision in prior year	–	(200)
Exchange losses, net	94	138
Depreciation of property, plant and equipment	373	292
Depreciation of right-of-use assets	2,678	–
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	3,148	1,374
Written off of bad debts	1,610	1,506
Operating lease charges for office premises	–	2,777
Operating lease charges for office equipments	30	167

# Notes to the Consolidated Financial Statements

## 10. INCOME TAX (CREDIT)/EXPENSES

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

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax:		
– Provision for the year	111	771
– Over-provision for prior years	(15)	(30)
	<u>96</u>	<u>741</u>
Enterprise Income Tax in The PRC Provision for the year	1	69
Macau Complementary Tax Provision for the year	–	145
	<u>97</u>	<u>955</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(434)	(18)
	<u>(337)</u>	<u>937</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% (2019: 16.5%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation based on the rules and regulations in the relevant tax jurisdictions.

# Notes to the Consolidated Financial Statements

## 10. INCOME TAX (CREDIT)/EXPENSES (CONTINUED)

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

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit before taxation	<u>(7,301)</u>	<u>518</u>
Notional tax on (loss)/profit before taxation, calculated at the tax rates applicable to the respective tax jurisdictions	(1,176)	(20)
Tax effect of non-deductible expenses	982	1,047
Tax effect of non-taxable income	(98)	(75)
Tax effect of tax losses not recognised	129	–
Tax effect of concessionary tax rate	(131)	–
Effect of tax reduction in Hong Kong Profits Tax	(20)	(30)
Over-provision for prior years	(15)	–
Others	<u>(8)</u>	<u>15</u>
Income tax (credit)/expenses	<u>(337)</u>	<u>937</u>

# Notes to the Consolidated Financial Statements

## 11. DIRECTORS' REMUNERATION

The remuneration of directors, including Chief Executive of the Company, 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 2020					
<b>Executive directors</b>					
Dr. Chan Yin Nin	-	2,815	750	19	3,584
Mr. Kwong Po Lam (Note (iii))	-	2,047	350	19	2,416
Ms. Su Xiaoyan (Note (iv))	-	295	-	15	310
<b>Independent non-executive directors</b>					
Ms. Chu Moune Tsi, Stella	-	100	-	-	100
Mr. Choy Wai Shek, Raymond, MH, JP	-	100	-	-	100
Mr. Sze Kyran, MH	-	100	-	-	100
	-	5,457	1,100	53	6,610
Year ended 31 March 2019					
<b>Executive directors</b>					
Dr. Chan Yin Nin	-	2,740	-	19	2,759
Mr. Kwong Po Lam (Note (iii))	-	1,993	-	19	2,012
<b>Independent non-executive directors</b>					
Ms. Chu Moune Tsi, Stella	-	54	-	-	54
Mr. Choy Wai Shek, Raymond, MH, JP	-	54	-	-	54
Mr. Sze Kyran, MH	-	54	-	-	54
	-	4,895	-	38	4,933

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 (2019: 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) Mr. Kwong Po Lam is the managing director of the Company and is regarded as the Chief Executive of the Company. His remuneration disclosed above includes the services rendered as the Chief Executive.
- (iv) Appointed as executive director of the Company on 6 June 2019.
- (v) The discretionary bonus was determined by reference to the individual performance of the directors and was approved by the remuneration committee of the Company.

# Notes to the Consolidated Financial Statements

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, 2 (2019: 2) are directors of the Company whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,713	2,870
Discretionary bonus ( <i>Note</i> )	451	139
Contributions to defined contribution retirement plan	54	54
	<u>3,218</u>	<u>3,063</u>

*Note:* Discretionary bonus was 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	
	2020	2019
	Number of individuals	Number of individuals
Nil to HK\$500,000	–	–
HK\$500,001 to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	3	2

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 (2019: nil).

# Notes to the Consolidated Financial Statements

## 13. LOSS PER SHARE

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

	Year ended 31 March	
	2020	2019
Loss attributable to owners of the Company (HK\$'000)	(6,964)	(419)
Weighted average number of ordinary shares in issue ('000 Number of shares)	960,000	826,652
Basic and diluted loss per share (HK cents)	<u>(0.73)</u>	<u>(0.05)</u>

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and weighted average number of shares in issue. For the year ended 31 March 2019, the number of shares for the purpose of basic loss per share has been retrospectively adjusted for the 671,000,000 shares which were issued pursuant to the Capitalisation Issue (as defined in note 23b(ii)).

Diluted loss per share for both years were the same as basic loss per share as there were no potential ordinary shares outstanding.



# Notes to the Consolidated Financial Statements

## 14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>Cost</b>			
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>
At 1 April 2019	1,779	1,096	2,875
Additions	6	315	321
Disposal	–	(12)	(12)
Exchange adjustment	(37)	(11)	(48)
	<u>1,748</u>	<u>1,388</u>	<u>3,136</u>
At 31 March 2020	<u>1,748</u>	<u>1,388</u>	<u>3,136</u>
<b>Accumulated depreciation</b>			
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>
At 1 April 2019	1,578	572	2,150
Charge for the year	118	255	373
Written back on disposal	–	(12)	(12)
Exchange adjustment	(32)	(10)	(42)
	<u>1,664</u>	<u>805</u>	<u>2,469</u>
At 31 March 2020	<u>1,664</u>	<u>805</u>	<u>2,469</u>
<b>Net carrying value</b>			
At 31 March 2020	<u>84</u>	<u>583</u>	<u>667</u>
At 31 March 2019	<u>201</u>	<u>524</u>	<u>725</u>

# Notes to the Consolidated Financial Statements

## 15. RIGHT-OF-USE ASSETS

	Office premises HK\$'000	Office equipments HK\$'000	Total HK\$'000
<b>Cost:</b>			
As at 31 March 2019	–	–	–
Impact on initial application of HKFRS 16 (note 2(a))	4,041	266	4,307
As at 1 April 2019 (Restated)	4,041	266	4,307
Additions	–	1,452	1,452
Exchange adjustment	(42)	–	(42)
As at 31 March 2020	3,999	1,718	5,717
<b>Accumulated depreciation:</b>			
As at 31 March 2019	–	–	–
Charge for the year	2,420	258	2,678
Exchange adjustment	(7)	–	(7)
As at 31 March 2020	2,413	258	2,671
<b>Carrying amounts:</b>			
As at 31 March 2020	1,586	1,460	3,046
As at 1 April 2019	4,041	266	4,307

# 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	
	2020	2019
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax for the year	111	771
Provisional Profits Tax paid	(614)	(1,535)
Provision for corporate income tax in other jurisdiction	1	214
Corporate income tax paid in other jurisdiction	(1)	(33)
Balance of Profits Tax provision relating to prior years	270	(68)
	<u>(233)</u>	<u>(651)</u>

**(ii) Reconciliation to the consolidated statement of financial position**

	At 31 March	
	2020	2019
	HK\$'000	HK\$'000
Tax recoverable	(503)	(926)
Tax payable	270	275
	<u>(233)</u>	<u>(651)</u>

# Notes to the Consolidated Financial Statements

## 16. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(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 2018	–	74	74
Credited/(debited) to profit or loss	69	(51)	18
At 31 March 2019 and 1 April 2019	69	23	92
Credited/(debited) to profit or loss	449	(15)	434
At 31 March 2020	518	8	526

## 17. TRADE AND OTHER RECEIVABLES

	At 31 March 2020 HK\$'000	2019 HK\$'000
Trade receivables	27,920	19,542
Less: Allowance for trade receivables	(4,010)	(2,917)
Trade receivables, net of allowance for credit losses	23,910	16,625
Deposits, prepayments and other receivables	1,536	3,369
	25,446	19,994

As at 31 March 2020, the gross carrying amounts of trade receivables from contracts with customers amounted to approximately HK\$27,920,000 (2019: HK\$19,542,000).

# 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, net of allowance for credit losses recognised:

	At 31 March	
	2020	2019
	HK\$'000	HK\$'000
Within 30 days	4,156	4,742
Over 30 days and within 90 days	5,872	8,771
Over 90 days and within 180 days	6,611	1,882
Over 180 days	7,271	1,230
	<u>23,910</u>	<u>16,625</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 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 credit terms of the Group granted to customers generally range from 0 to 60 days.

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.

Details of impairment assessment of trade receivables for the year ended 31 March 2020 are set out in note 5(a).

# Notes to the Consolidated Financial Statements

## 18. CONTRACT ASSETS

	At 31 March	
	2020	2019
	HK\$'000	HK\$'000
Arising from performance under construction contracts	12,629	13,146

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Transfer of contract assets at the beginning of the year to receivables during the year	8,382	7,147

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 depending 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 is set out in note 5(a).

# Notes to the Consolidated Financial Statements

## 19. CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

	At 31 March	
	2020	2019
	HK\$'000	HK\$'000
Cash and cash equivalent in the consolidated statement of financial position:		
– Cash at banks and on hand	32,318	42,219

### (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.

	Lease liabilities	Bank borrowings	Amounts due to controlling shareholders	Total liabilities from financing activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	–	8,875	389	9,264
Net changes in cash flows	–	(8,875)	(389)	(9,264)
At 31 March 2019	–	–	–	–
Impact on initial application of HKFRS 16	4,472	–	–	4,472
At 1 April 2019 (restated)	4,472	–	–	4,472
Net changes in cash flows	(2,637)	–	–	(2,637)
New lease	1,452	–	–	1,452
Interest expenses	150	–	–	150
Interest paid classified as operating cash flows	(150)	–	–	(150)
Rent concession income	(49)	–	–	(49)
Exchange adjustments	(36)	–	–	(36)
At 31 March 2020	3,202	–	–	3,202

# Notes to the Consolidated Financial Statements

## 20. TRADE AND OTHER PAYABLES

	At 31 March 2020 HK\$'000	2019 HK\$'000
Trade payables	599	639
Accrued expenses	1,232	1,614
Other payables	2,245	1,114
	<u>4,076</u>	<u>3,367</u>

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

	At 31 March 2020 HK\$'000	2019 HK\$'000
Within 30 days	265	446
31–60 days	176	60
61–90 days	–	50
Over 90 days	158	83
	<u>599</u>	<u>639</u>

## 21. CONTRACT LIABILITIES

	At 31 March 2020 HK\$'000	2019 HK\$'000
Arising from performance under construction contracts	<u>3,683</u>	<u>3,294</u>

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

	Year ended 31 March 2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>3,136</u>	<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

## 22. LEASE LIABILITIES

The following tables shows the remaining contractual maturities of the Group's lease liabilities as at 31 March 2020:

	Present value of the minimum lease payment HK\$'000	The minimum lease payment HK\$'000
Within 1 year	2,002	2,074
After 1 year but within 2 years	457	492
Over 2 years	743	778
	<u>3,202</u>	<u>3,344</u>
Less: total future interest expenses		<u>(142)</u>
Total lease liabilities		3,202
Less: non-current portion		<u>(1,200)</u>
Current portion		<u><u>2,002</u></u>

*Note:*

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated.

The Group leased the office premises and office equipments as disclosed in note 15 to operate for office uses. The lease terms were 3–5 years. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

For the year ended 31 March 2020, the total cash outflow for leases including repayment of lease liabilities and payment of interest expenses are approximately HK\$2,787,000. The payment of interest expenses amounting to approximately HK\$150,000 was classified as operating cash flows.

Further details on the impact of the transition to HKFRS 16 are set out in note 2(a).

# Notes to the Consolidated Financial Statements

## 23. 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 statement of changes in equity.

### (b) Share capital

	2020		2019	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each				
<b>Authorised:</b>				
At 1 April	1,500,000,000	15,000	38,000,000	380
Increase in authorised share capital on 27 August 2018 ( <i>Note i</i> )	–	–	1,462,000,000	14,620
At 31 March	<u>1,500,000,000</u>	<u>15,000</u>	<u>1,500,000,000</u>	<u>15,000</u>
<b>Issued and fully paid:</b>				
At 1 April	960,000,000	9,600	1,000,000	10
Issue of shares under the Capitalisation Issue ( <i>Note ii</i> )	–	–	671,000,000	6,710
Issue of shares under the Share Offer ( <i>Note iii</i> )	–	–	288,000,000	2,880
At 31 March	<u>960,000,000</u>	<u>9,600</u>	<u>960,000,000</u>	<u>9,600</u>

*Note:*

- (i) 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.
- (ii) 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 (iii) 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 Sourcing Limited 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.
- (iii) 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.

# Notes to the Consolidated Financial Statements

## 23. CAPITAL AND RESERVES (CONTINUED)

### (c) Merger reserves

Merger reserves represent the reserves that arose 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 GEM of the Stock Exchange, the Company became the holding company of the Group under the Reorganisation, details of which 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 in connection with the Listing.

### (d) Share premium

The share premium account records the excess of the total consideration over the par value of the shares issued by the Company, net of share issue expenses incurred.

### (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 3(c).

### (f) Distributable reserves

At 31 March 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Laws of Cayman Islands, amounted to approximately HK\$26,519,000.

### (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.

# Notes to the Consolidated Financial Statements

## 23. CAPITAL AND RESERVES (CONTINUED)

### (h) Capital management (Continued)

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 2020 and 2019, the ratio of the Group's total liabilities over its total assets was 14.9% and 8.9% respectively.

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

## 24. DIVIDEND

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

## 25. COMMITMENTS

The Group leases office premises and equipments 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 HK\$'000
Within one year	2,746
In the second to fifth years inclusive	<u>1,942</u>
	<u><u>4,688</u></u>

The Group is the lessee in respect of offices premise and equipments which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases as disclosed in note 2(a). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 22.

# Notes to the Consolidated Financial Statements

## 26. MATERIAL RELATED PARTY TRANSACTIONS

For the year ended 31 March 2020, 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")	Win Win Way is a subsidiary of CT Vision (International) Holdings Limited ("CT Vision"), formerly known as Win Win Way Construction Holdings Ltd. and Mr. Kwong was an executive director of CT Vision up to 26 April 2019. Mr. Kwong has been appointed as a director of Win Win Way since 26 April 2019.

### (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 11.

### (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	
	2020 HK\$'000	2019 HK\$'000
Revenue from consultancy services charged to Win Win Way	1,213	325

### (c) Balance with related party

At 31 March 2020, the Group had the following balance with related party which was trade in nature and included in trade and other receivables:

	At 31 March	
	2020 HK\$'000	2019 HK\$'000
Win Win Way	835	88

# Notes to the Consolidated Financial Statements

## 27. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2020 are set out below:

Name of company	Place of incorporation/ establishment	Registered/ issued and fully paid up capital	Attributable equity interest			Principal activities
			The 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 (the "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

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

## 28. EVENT AFTER THE REPORTING PERIOD

The COVID-19 outbreak since early 2020 has exerted certain downward pressure on the overall economy in various countries and regions, including Hong Kong, the People's Republic of China and Macau. It has brought about additional uncertainties in the Group's operating environment and may continue to impact the Group's operations and financial position. The Group has been closely monitoring the impact from COVID-19 on the Group's businesses.

As the extent to which the ongoing COVID-19 outbreak is uncertain, it is not practicable to estimate the full financial effect that the COVID-19 outbreak may have on the Group's businesses as at the date when the financial statements are authorised to issue.

In April 2020, the Group entered into series of contracts with certain counter parties for establishing a variable interest entity (the "VIE") arrangement, whereby pursuant to the aforesaid contracts, the Group has control over the VIE. The VIE arrangement will enable the Group to be involved in a social community-based e-commerce new retail online platform in the PRC in the future. For details of the VIE arrangement, please refer to the announcement of the Company dated 29 April 2020.

# Notes to the Consolidated Financial Statements

## 29. FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

As at 31 March 2020

	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	156	156
<b>Current assets</b>		
Other receivables	259	2,820
Amounts due from subsidiaries	15,312	4,539
Bank balances	20,595	33,728
	<b>36,166</b>	41,087
<b>Current liabilities</b>		
Other payables	70	182
Amounts due to subsidiaries	133	181
	<b>203</b>	363
Net current assets	<b>35,963</b>	40,724
<b>Net assets</b>	<b>36,119</b>	40,880
<b>EQUITY</b>		
Share capital	9,600	9,600
Share premium	48,760	48,760
Accumulated losses	(22,241)	(17,480)
<b>Total equity</b>	<b>36,119</b>	40,880

# Notes to the Consolidated Financial Statements

## 29. 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 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 and 1 April 2019	48,760	(17,480)	31,280
Loss and total comprehensive expenses for the year	–	(4,761)	(4,761)
Balance at 31 March 2020	48,760	(22,241)	26,519



# Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five 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				<b>2020</b> <b>HK\$'000</b>
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
Revenue	<u>68,009</u>	<u>70,569</u>	<u>69,089</u>	<u>64,629</u>	<b>58,864</b>
Profit/(loss) before taxation	16,238	19,667	4,547	518	<b>(7,301)</b>
Income tax (expenses)/credit	<u>(2,957)</u>	<u>(3,381)</u>	<u>(2,458)</u>	<u>(937)</u>	<b>337</b>
Profit/(loss) for the year	13,281	16,286	2,089	(419)	<b>(6,964)</b>
Other comprehensive (expenses)/ income	<u>(260)</u>	<u>75</u>	<u>(154)</u>	<u>89</u>	<b>85</b>
Profit/(loss) and total comprehensive income/(expenses) for the year	<u>13,021</u>	<u>16,361</u>	<u>1,935</u>	<u>(330)</u>	<b>(6,879)</b>

## ASSETS AND LIABILITIES

	At 31 March				<b>2020</b> <b>HK\$'000</b>
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
Total assets	41,138	36,183	46,498	77,884	<b>75,135</b>
Total liabilities	<u>(33,349)</u>	<u>(25,200)</u>	<u>(18,573)</u>	<u>(6,936)</u>	<b>(11,231)</b>
Net assets	<u>7,789</u>	<u>10,983</u>	<u>27,925</u>	<u>70,948</u>	<b>63,904</b>

# Glossary

<b>“Annual General Meeting”</b>	the annual general meeting of the Company to be held at 2:30 p.m. on Monday, 3 August 2020 at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong
<b>“Articles” or “Articles of Association”</b>	the articles of association of our Company as amended from time to time
<b>“associate(s)”</b>	has the meaning ascribed to it under Rule 20.06(2) of the GEM Listing Rules
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Authorized Person”</b>	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
<b>“BIM”</b>	building information modelling
<b>“BO”</b>	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Board”</b>	the board of Directors
<b>“business day”</b>	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
<b>“BVI”</b>	the British Virgin Islands
<b>“CG Code”</b>	Corporate Governance Code and Corporate Governance Report, Appendix 15 to the GEM Listing Rules
<b>“China” or “PRC”</b>	the People’s Republic of China, and except where the context requires otherwise, does not include Hong Kong, Macau and Taiwan
<b>“close associate(s)”</b>	has the meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
<b>“Companies Law”</b>	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, consolidated, revised or otherwise modified from time to time
<b>“Company”</b>	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
<b>“Concerted Group”</b>	collectively refers to Dr. Chan and Mr. Kwong
<b>“connected person(s)”</b>	has the meaning ascribed to it under Rule 20.06(7) of the GEM Listing Rules

# Glossary

<b>“Controlling Shareholder(s)”</b>	the controlling Shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules), namely, Manning Properties, Dr. Chan and Mr. Kwong
<b>“Deed of Non-Competition”</b>	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
<b>“Director(s)”</b>	the director(s) of our Company
<b>“Dr. Chan”</b>	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
<b>“ERB”</b>	the Engineers Registration Board established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
<b>“GEM”</b>	GEM operated by the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
<b>“Government”</b>	the Government of Hong Kong
<b>“Group”, “our Group”, “we” or “us”</b>	the Company together with its subsidiaries
<b>“HK\$” or “HK dollar(s)” and “cent(s)”</b>	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
<b>“HKEX” or “Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Branch Share Registrar”</b>	the branch share registrar and transfer office in Hong Kong of the Company, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
<b>“Hong Kong Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Internal Control Adviser”</b>	Wellink Corporate Advisory Limited, the internal control adviser of our Company
<b>“Listing”</b>	the listing of our Shares on GEM on the Listing Date
<b>“Listing Date”</b>	17 September 2018, the date on which dealings in the Shares on GEM commence

# Glossary

<b>“Macau”</b>	the Macau Special Administrative Region of the PRC
<b>“Manning Properties”</b>	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 (holding approximately 68.2% interests in it) and Mr. Kwong (holding approximately 31.8% interests in it)
<b>“Memorandum” or “Memorandum of Association”</b>	the memorandum of association of our Company as amended from time to time
<b>“MOP”</b>	Macau pataca, the lawful currency of Macau
<b>“Mr. Kwong”</b>	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
<b>“Nomination Committee”</b>	the nomination committee of the Board
<b>“Prospectus”</b>	the prospectus of the Company dated 31 August 2018 issued in connection with the Listing
<b>“Registered Structural Engineer”</b>	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
<b>“Remuneration Committee”</b>	the remuneration committee of the Board
<b>“Reorganisation”</b>	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
<b>“SFO”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
<b>“Share Offer”</b>	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
<b>“Share Option Scheme”</b>	the share option scheme approved and adopted by our Company pursuant to written resolutions of our Shareholders on 27 August 2018
<b>“Share(s)”</b>	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
<b>“Shareholder(s)”</b>	holder(s) of our Share(s) from time to time
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under the GEM Listing Rules

# Glossary

<b>“Substantial Shareholder(s)”</b>	the substantial Shareholder(s) having the meaning ascribed to it under the GEM Listing Rules
<b>“US\$” or “U.S. dollar(s)”</b>	United States dollar, the lawful currency for the United States of America
<b>“VIE Arrangement”</b>	the variable interest entity (VIE) arrangement established through the entering into of structured contracts, which enables the Group to have effective control over the operations and the entire economic interest and benefits of Zhouji Network
<b>“W&amp;C Hong Kong”</b>	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
<b>“W&amp;C Macau”</b>	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
<b>“W&amp;C Shenzhen”</b>	黃鄭建築科技開發 (深圳) 有限公司, a company incorporated under the laws of the 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
<b>“WAC (HK)”</b>	WAC (Hong Kong) Limited, a company incorporated in the BVI with limited liability on 29 August 2017, which is our direct wholly-owned subsidiary
<b>“WAC (Macau)”</b>	WAC (Macau) Limited, a company incorporated in the BVI with limited liability on 29 August 2017, which is our direct wholly-owned subsidiary
<b>“Zhouji Network”</b>	Hangzhou Zhouji Network Technology Limited* (杭州舟濟網絡科技有限公司), a company incorporated in the PRC with limited liability

\* For identification purpose only