

Luen Wong Group Holdings Limited

聯旺集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8217

2020 Annual Report



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	10
Corporate Governance Report	12
Environmental, Social and Governance Report	25
Directors' Report	32
Independent Auditor's Report	43
Consolidated Statement of Profit or Loss and Other Comprehensive Income	49
Consolidated Statement of Financial Position	50
Consolidated Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	52
Notes to the Consolidated Financial Statements	54
Summary of Financial Information	124

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. So Kwok Hung (*Chairman*)
Ms. Yu Xiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Kan
Mr. Tai Hin Henry
Mr. Liao Honghao

COMPANY SECRETARY

Mr. So Pan

COMPLIANCE OFFICER

Mr. So Kwok Hung

AUDIT COMMITTEE

Mr. Wong Chi Kan (*Chairman*)
Mr. Tai Hin Henry
Mr. Liao Honghao

REMUNERATION COMMITTEE

Mr. Wong Chi Kan (*Chairman*)
Mr. Liao Honghao
Ms. Yu Xiao

NOMINATION COMMITTEE

Mr. So Kwok Hung (*Chairman*)
Mr. Wong Chi Kan
Mr. Tai Hin Henry

AUTHORISED REPRESENTATIVES

Mr. So Kwok Hung
Mr. So Pan

REGISTERED OFFICE

P. O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 703A, 7/F
Gee Tuck Building
16-20 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suite 3301-4
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITORS

Elite Partners CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

COMPANY WEBSITE

www.luenwong.hk

STOCK CODE

8217

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Luen Wong Group Holdings Limited (the "Company"), it is my pleasure to present the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 (the "Reporting Period").

A YEAR IN REVIEW

The shares of the Company (the "Shares") were successfully listed on GEM of the Stock Exchange on 12 April 2016 (the "Listing") by way of placing (the "Placing"). The Listing has enhanced the Group's profile and recognition and assist us in reinforcing our brand awareness and image. The net proceeds raised have also strengthened the Group's operational capacity.

The total revenue of the Group decreased by approximately HK\$77,958,000 from approximately HK\$432,842,000 for the year ended 31 March 2019 to approximately HK\$354,884,000 for the Reporting Period. Such decrease was mainly due to few large construction projects reaching completion stage.

OUTLOOK

In the 2020-21 Budget Speech, the Government reiterated its commitment to infrastructure and announced the annual capital works expenditure is expected to reach HK\$100 billion on average on infrastructure projects in the next few years. It is expected construction projects is about to remain at a stable level in the next few years. However, challenges like delaying in budget approval due to filibustering, delaying in progress due to social demonstration and shortage of manpower will continue to strike the civil engineering industry.

As to the Group, we are confident with the prospects of the Group for the next few years as we have recently secured few projects which estimated to be completed in end-2020. These projects could ensure sustainability of the Group and increase employees' loyalty towards the Group.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our management and staff for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to our shareholders, business partners, customers, suppliers and subcontractors for their continued support to the Group.

Luen Wong Group Holdings Limited
So Kwok Hung
Chairman

Hong Kong, 26 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has over 20 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by the Group are mainly related to (i) roads and drainage works (including construction and improvement of local road, carriageway with junction improvement and the associated footpaths, planting areas, drains, sewers, water mains and utilities diversion); (ii) structural works (including construction of reinforced concrete structures for bridges and retaining walls); and (iii) site formation works (including excavation and/or filling works for forming a new site or achieving designed formation level for later development).

OUTLOOK

2021 is expected to be full of opportunities and challenges. The planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that occur during project implementation continue being threats that likely affect the Group's profit as a subcontractor.

Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and at the same time carefully evaluate each projects and control the Group's overall costs to a reasonable level; which in turn is expected to increase shareholders' return. Besides, in order to increase shareholders' return, the Group will put efforts to evaluate the feasibility of obtaining necessary licenses to carry out civil engineering works and related operations in other countries, such as Japan and Thailand.

SIGNIFICANT INVESTMENT

Financial asset at FVTPL Significant Investments	For the year ended 31 March 2020	As at 31 March 2020			As at 1 April 2019
	Realised and unrealised loss HK\$'000	Number of shares held '000	Fair value HK\$'000	Approximately percentage to the total asset	Fair value HK\$'000
WLS Holdings Limited ("WLS")	330	381,660	10,686	5.0%	7,065
Other listed equity securities (note 1)			<u>6,410</u>	<u>3.0%</u>	<u>16,326</u>
Total			<u>17,096</u>	<u>8.0%</u>	<u>23,391</u>

Note:

- As at 31 March 2020, other listed equity securities comprised 5 listed equity securities in Hong Kong. None of the other listed equity securities was more than 5% of the total assets of the Group as at 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

WLS is principally engaged in provision of scaffolding and fitting out services and other services for construction and buildings work, provision of gondolas, parapet railings and access equipment installation and maintenance services, money lending business, securities investment business, and assets management business. Based on WLS's third quarterly report for the nine months ended 31 January 2020, revenue and loss after income tax of WLS was approximately HK\$113 million and HK\$20.6 million respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

FINANCIAL REVIEW

Revenue

All of the Group's revenue was generated from the provision of civil engineering works and provision of decoration and renovation works. The total revenue of the Group decreased by approximately HK\$77,958,000 from approximately HK\$432,842,000 for the year ended 31 March 2019 to approximately HK\$354,884,000 for the Reporting Period. Such decrease was mainly due to some large construction projects reaching completion stage. As at 31 March 2019, we had 33 contracts on hand with a total contract sum of approximately HK\$1,933,359,000 whilst as at 31 March 2020, we had 22 contracts on hand with a total contract sum of approximately HK\$789,825,000.

Gross Profit and Gross Profit Margin

The Group's gross result turnaround from gross profit of approximately HK\$1,145,000 for the year ended 31 March 2019 to gross loss of approximately HK\$20,196,000 for the Reporting Period. Such changes was mainly due to some large construction projects reaching completion stage.

Our gross profit margin varied substantially from project to project and is mainly attributable to our pricing, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis and such mark-up is determined based on the following factors:

Contract value of the project

We would normally set a tender price based on a relatively lower mark-up for projects with a larger contract value due to the larger absolute amounts of revenue and gross profit (being the contract sum less the expected costs of sales) expected to be derived from a project with a larger contract value.

Nature and complexity of civil engineering works

When preparing our tender price, we consider, among other factors, (i) the amount of project management; (ii) the level of difficulty; (iii) the amount of uncertainties; (iv) the types and amount of works to be performed using different techniques; (v) the types and amount of resources such as labour skills, construction materials and supplies and site equipment; and (vi) the quality, safety and environmental standards. We would also take into account the likelihood of any material deviation of actual costs from our estimated costs having regard to the estimated subcontracting charges, staff costs, construction materials and supplies costs, rental of site equipment costs and other costs of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Competition

The level of competition for each construction project is subject to factors beyond our control, including, among others, the number of contractors invited to bid for the construction project, our competitors' capacity and the nature and complexity of the works involved. If the level of competition of a particular construction project is low or if our competitors' tender prices are relatively high, which is due to their own commercial decisions, we may be able awarded the construction project even if our tender price is not particularly competitive.

Cost control

While we may obtain preliminary quotations from our subcontractors when preparing our tender prices, the final agreed prices with our subcontractors are subject to further negotiations after we are successfully awarded with a tender and after we obtain more specific information regarding the works and the site conditions. Such further negotiations with our subcontractors may result in higher or lower gross profit margins.

We enter into contra charge arrangements with some of our customers for, among others, the purchase of construction materials and supplies and site equipment rental and hence any increase in these costs are borne by our customers. The prices of construction materials and supplies and site equipment rental and other costs of sales that are not covered by contra charge arrangements are determined by reference to quotations of suppliers as agreed by us and our suppliers on an order-by-order basis. While we price in the estimated future price trend of these costs of sales when preparing our tender proposals, material deviation of the actual costs from our estimated costs may arise, which would result in higher or lower gross profit margins.

Due to, among others, the factors stated above, our gross profit margin varied substantially from project to project.

Other Income

Other income of the Group decreased by approximately HK\$1,639,000 from approximately HK\$2,490,000 for the year ended 31 March 2019 to approximately HK\$851,000 for the Reporting Period. The decrease was mainly due to the refund of insurance happened during the year ended 31 March 2019.

Other Gains or Losses

Other gains or losses of the Group became loss of HK\$14,397,000 for the Reporting Period from gain of HK\$9,071,000 for the year ended 31 March 2019. The loss mainly consist of impairment loss recognised on property, plant and equipment of approximately HK\$4,590,000.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group remained stable which slightly decreased by approximately HK\$920,000 or 4.7% from approximately HK\$19,469,000 for the year ended 31 March 2019 to approximately HK\$18,549,000 for the Reporting Period. Administrative and other operating expenses consists primarily of staff costs, depreciation, rental expenses and other administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs for the Group increased by approximately HK\$24,000 from approximately HK\$18,000 for the year ended 31 March 2019 to approximately HK\$42,000 for the Reporting Period.

Income Tax Credit/Expense

Income tax for the Group had changed from income tax credit of approximately HK\$520,000 for the year ended 31 March 2019 to income tax credit of approximately HK\$821,000 for the Reporting Period. Such increase was mainly due to the decrease in recognition of deferred tax liabilities arising from excess of net book values of property, plant and equipment over tax values.

Loss for the year

Loss for the year increased by approximately HK\$49,519,000 from loss of approximately HK\$6,048,000 for the year ended 31 March 2019 to loss of approximately HK\$55,567,000 for the Reporting Period. Such decrease was primarily attributable to the net effect of the decrease in revenue, gross profit, administrative and other operating expenses and income tax expense for the Reporting Period as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of the Group as at 31 March 2020 remained stable at approximately 1.1 times as compared to that of approximately 1.3 times as at 31 March 2019.

The total interest bearing debts of the Group, including bank borrowings and finance lease liabilities, decreased from approximately HK\$891,000 as at 31 March 2019 to approximately HK\$656,000 as at 31 March 2020. All borrowings are denominated in Hong Kong dollar and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings.

As at 31 March 2020 and 2019, the Group had no general banking facilities. As at 31 March 2020, the Group had finance lease liabilities of approximately HK\$656,000 (31 March 2019: approximately HK\$891,000).

The gearing ratio, calculated based on all interest-bearing borrowings and obligations under finance leases divided by total equity at the end of the period and multiplied by 100%, stood at approximately 0% as at 31 March 2020 (31 March 2019: approximately 1.1%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Shares were successfully listed on GEM of the Stock Exchange on 12 April 2016. There has been no change in the capital structure of the Group since then. As at 31 March 2020, the Company's issued and fully paid capital and total equity attributable to equity holders of the Company amounted to approximately HK\$12,480,000 and HK\$31,221,000 respectively.

COMMITMENTS

As at 31 March 2020, there was no capital commitment for the Group (31 March 2019: HK\$Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities (31 March 2019: HK\$Nil).

ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not carry out any material acquisitions nor disposals of subsidiaries and affiliated companies for the Reporting Period.

Save as disclosed in this annual report, the Group did not have other plans for material investments or capital assets as at 31 March 2020.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. Since United States dollars is linked to Hong Kong dollars at the rate of United States dollars 1 to Hong Kong dollars 7.80, the Directors therefore consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OVER GROUP'S ASSETS

The total interest bearing debts of the Group, including finance lease liabilities amounted to approximately HK\$Nil as at 31 March 2020 (2019: HK\$891,000).

As at 31 March 2020 and 2019, the Group had no general banking facilities. As at 31 March 2020, the Group had finance lease liabilities of approximately HK\$656,000 (31 March 2019: approximately HK\$891,000).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had approximately 110 employees (31 March 2019: 192 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$76,356,000 for the Reporting Period (31 March 2019: approximately HK\$88,149,000). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to the Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, we offer other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (2019: HK\$Nil).



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. SO Kwok Hung (蘇國雄先生), aged 38, has over 15 years of working experience in the building and construction field. He has participated in the overall management and supervision of certain sizeable construction projects in Hong Kong. Mr. So was appointed as executive director on 16 November 2017.

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

Ms. YU Xiao (余曉女士), aged 39, has over 10 years of working experience in the civil engineering and construction field in real property. She has participated in the overall management and supervision of certain sizeable construction projects including design, build, supervise and maintain construction projects and systems. Prior to joining the Group, Ms. Yu worked as an architect and engineer in Department of Civil Engineering in Hunan Hechingyuan Construction Engineering Company. Ms. Yu graduated from the College of Civil Engineering, Hunan University in June 2000 with a bachelor degree in civil engineering. Ms. Yu was appointed as executive director on 16 November 2017.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Kan (黃智瑾先生), aged 34, is an independent non-executive Director. He has over 7 years of experience in auditing and accounting. He has served as financial controller in a private company primarily responsible for the financial and accounting matters, since June 2017. From March 2016 to June 2017, he worked as an assistant financial controller in a company principally engaged in provision of financial public relations services. He worked as an accounting manager in a company listed on GEM of the Stock Exchange which principally engaged in sale of biodegradable food containers and disposable industrial packaging for consumer products between March 2015 and March 2016. He served for certain sizeable CPA firms in Hong Kong from November 2010 to February 2015. Mr. Wong obtained a Bachelor of Commerce degree and a master's degree in Professional Accounting from the University of New South Wales in May 2009 and August 2010 respectively. He is also a fellow member of the Certified Practising Accountants Australia since March 2014 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wong was appointed as independent non-executive director on 12 April 2016.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TAI Hin Henry (戴熹先生), aged 34, is an independent non-executive Director. He has over 7 years of experience in auditing and accounting. He has been an accounting manager of Rich Gain Construction Development Company Limited, a construction company in Hong Kong, since August 2014. From May 2009 to July 2014, he worked as an audit senior in Louis Leung and Partners CPA Limited. He also worked at New Time Trading Company, a company principally engaged in the trading of jewellery and jade, as a sales executive during the period from September 2007 to April 2009. He graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science majoring in Accounting and Finance in June 2007. He has completed the CPA Qualification Programme of the Hong Kong Institute of Certified Public Accountants in August 2015. Mr. Tai was appointed as independent non-executive director on 12 April 2016.

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

Mr. LIAO HongHao (廖洪浩先生), aged 60, is an independent non-executive Director. He is currently a general manager of the marketing department of a company incorporated in the People's Republic of China (the "PRC"), which engaged in publishing business in the PRC. He graduated in Meizhou Radio & TV University and he has more than 30 years' experience in business strategic planning and marketing. Mr. Liao was appointed as independent non-executive director on 2 March 2018.

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

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

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

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

The Directors and the management of the Group recognise the significance of sound corporate governance to the long-term and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. During the period from the Listing Date to the Reporting Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code except the following deviations:

Code provision A.6.7 of the Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors, Mr. Tai Hin Henry, was unable to attend the annual general meeting of the Company held on 3 September 2019. For deviations from code provision A.6.7 and E.1.2 of the Code, the Company Secretary had reminded the chairman and the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

BOARD OF DIRECTORS

Responsibilities of the Board

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in paragraph D.3.1 of the CG Code, which include:

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

CORPORATE GOVERNANCE REPORT

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

Composition of the Board

Up to the date of this report, the Board comprise five Directors, including two executive Directors and three independent non-executive Directors (the "INEDs"). In particular, the composition of the Board is set out as follow:

Executive Directors

Mr. So Kwok Hung
Ms. Yu Xiao

INEDs

Mr. Wong Chi Kan
Mr. Tai Hin Henry
Mr. Liao HongHao

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Board Nomination Policy

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

CORPORATE GOVERNANCE REPORT

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, 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, industry knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Relationships between members of the Board

The Directors have no financial, business, family or other material or relevant relationship with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. So Kwok Hung serves as the Chairman of the Company and is responsible for overall business development strategy and overall management and major business decisions of the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting.

During the Reporting Period, eight board meetings were held and the attendance records are as follows:

Name of Director	Meetings attended/ Eligible to attend
Executive Directors	
Mr. So Kwok Hung	8/8
Ms. Yu Xiao	8/8
INEDs	
Mr. Wong Chi Kan	8/8
Mr. Tai Hin Henry	8/8
Mr. Liao HongHao	8/8

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct from the Listing Date up to the date of this report.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has established its nomination committee. The nomination committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group. Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

CORPORATE GOVERNANCE REPORT

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least 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. Mr. So Kwok Hung and Mr. Wong Chi Kan will retire from office as Directors at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, the Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of the Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, during the Reporting Period, all Directors had participated in continuous professional development in the following manner:

Directors	Reading materials regarding regulatory update and corporate governance matters	Attending in-house training/seminars arranged by the professional organisations
Executive Directors		
Mr. So Kwok Hung	✓	✓
Ms. Yu Xiao	✓	✓
INEDs		
Mr. Wong Chi Kan	✓	✓
Mr. Tai Hin Henry	✓	✓
Mr. Liao HongHao	✓	✓

BOARD COMMITTEES

The Group has established three committees, namely audit committee, remuneration committee and nomination committee in compliance with the GEM Listing Rules and to assist the Board to discharge its duties. The relevant terms of reference of each of the three committees can be found on the Group's website (www.luenwong.hk) and the website of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely Mr. Wong Chi Kan, Mr. Tai Hin Henry and Mr. Liao HongHao, all being INEDs. Mr. Wong Chi Kan currently serves as the chairman of the audit committee.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

With reference to the terms of reference, the primary responsibilities of the audit committee, among others, are as follow:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to develop and implement policy on engaging an external auditors to supply non-audit services;
- (d) to monitor the integrity of financial statements and the annual report and accounts, half year report and quarterly reports, and to review significant financial reporting judgments contained in them;
- (e) to discuss the internal control system with management of the Group to ensure that the management of the Group has performed its duty to have an effective internal control system; and
- (f) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

The members of the audit committee should meet at least four times a year. The individual attendance record of each member of the audit committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Chi Kan (<i>Chairman</i>)	5/5
Mr. Tai Hin Henry	5/5
Mr. Liao HongHao	5/5

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the audit committee had reviewed the Group's unaudited first quarterly results for the three months ended 30 June 2019, unaudited interim results for the six months ended 30 September 2019 and the unaudited third quarterly results for the nine months ended 31 December 2019, and discussed about the internal controls and financial reporting matters of the Group. The audit committee had also reviewed audited annual results in respect of the year ended 31 March 2020, and confirmed that this report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditors during the year ended 31 March 2020.

The Board is of the view that the audit committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

REMUNERATION COMMITTEE

A remuneration committee has been established with its terms of reference in compliance with paragraph B.1.2 of the CG Code. The remuneration committee consists of three members, namely Mr. Wong Chi Kan, Mr. Liao HongHao and Ms. Yu Xiao. Mr. Wong Chi Kan currently serves as the chairman of the remuneration committee.

The remuneration committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of remuneration committee, the primary duties, among others, are as follow:

- (a) to formulate remuneration policy for the approval of the Board;
- (b) to make recommendations to the Board on the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group;
- (e) to make recommendations to the Board on the remuneration of non-executive Directors;
- (f) to review and approve compensation payable to executive Directors and senior management of the Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

CORPORATE GOVERNANCE REPORT

- (h) to consider the performance bonus for executive Directors, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.

The members of the remuneration committee should meet at least once a year. The individual attendance record of each member of the remuneration committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Chi Kan (<i>Chairman</i>)	2/2
Mr. Liao HongHao	2/2
Ms. Yu Xiao (Appointed on 25 May 2018)	2/2

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the remuneration committee. Details of the Directors' emolument are set out in note 15 to the consolidated financial statements.

The Board is of the view that the remuneration committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

NOMINATION COMMITTEE

A nomination committee has been established with its terms of reference in compliance with paragraph A.5.2 of the CG Code. The nomination committee of the Group comprises Mr. So Kwok Hung, the executive Director and Chairman, Mr. Wong Chi Kan and Mr. Tai Hin Henry, the INEDs. Mr. So Kwok Hung currently serves as the chairman of the nomination committee.

The nomination committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of nomination committee, the primary duties, among others, are as follow:

- (a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;
- (b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy;
- (c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

CORPORATE GOVERNANCE REPORT

- (d) to receive nominations from Shareholders or Directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;
- (e) to assess the independence of INEDs and review the INEDs' confirmations on their independence; and make disclosure of its review results in the corporate governance report;
- (f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Group; and
- (g) regularly review the contribution required from a Director to perform his/her responsibilities to the Group, and whether he/she is spending sufficient time performing them.

The members of the nomination committee should meet at least once a year. The individual attendance record of each member of the nomination committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. So Kwok Hung (<i>Chairman</i>)	1/1
Mr. Wong Chi Kan	1/1
Mr. Tai Hin Henry	1/1

The Board is of the view that the nomination committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

AUDITOR'S REMUNERATION

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

For the Reporting Period, the remuneration paid or payable to the external auditors of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/payable for services rendered	
	2020	2019
	HK\$'000	HK\$'000
Statutory audit services	400	400
Non-audit services for review of the Group's disclosure of quarterly reports and interim report	Nil	Nil

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

During the Reporting Period, Mr. So Pan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. So Kwok Hung, an executive Director of the Company, was appointed as the compliance officer of the Company on 17 April 2018. Please refer to the section “Biographical Details of Directors and Senior Management” for his biographical information.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the establishment, maintenance and review of the Group’s risk management and internal control systems. The Board oversees the Group’s overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group’s risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group’s risk management and internal control systems.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group’s risk appetite.

The Group does not have an internal audit department. The Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

The Group engaged an external consultant, Elite Partners Risk Advisory Services Limited, for internal control to conduct an annual review on the risk management and internal control system of the Group during the year. The review covers certain procedures on the civil engineering works undertaken by the Group, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

CORPORATE GOVERNANCE REPORT

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2020, 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, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors 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 independent auditor's report by external auditors, Elite Partners CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 43 to 48 of this report.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to the Article 64 of the Articles of Association of the Company, and the applicable legislation and regulation, in particular the GEM Listing Rules:

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

Shareholders may also use this same method to put forward proposals for the general meeting.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the “Dividend Policy”) in March 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company’s ability to pay dividends, which will depend on a number of factors, including but not limited to:

- (i) the Group’s actual and expected financial performance;
- (ii) the Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
- (iii) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (iv) the Group’s liquidity position;
- (v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (vi) any other factors that the Board deems relevant.

The Board has complete discretion on whether to pay a dividend, subject to Shareholders’ approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring interim dividends from time to time.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

PROCEDURES FOR RAISING ENQUIRIES

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

Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit 703A, 7/F, Gee Tuck Building, 16-20 Bonham Strand, Sheung Wan, 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

Investor Relations

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

Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the listing of the Shares on GEM of the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Luen Wong Group Holdings Limited and its subsidiaries (the “Group”) prepares the Environmental, Social and Governance Report. It discloses the Group’s performance on Environmental, Social and Governance (“ESG”) focusing on the accomplishments over the period between 1 April 2019 and 31 March 2020 (“the year”).

This report covers the Group’s major operations of undertaking civil engineering works in Hong Kong as a subcontractor. Major operating subsidiaries of the Group, namely Luen Hing Construction and Eng. Limited and Hop Fung Construction and Engineering Company Limited are covered in this report.

The report is in compliance with the Environmental, Social and Governance Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX ESG Reporting Guide”).

The Group commits to fully integrating corporate social and environmental well-being into various aspects of daily operations of the business. For achieving sustainable development, the Group also promotes environmental protection, makes positive contribution and creates long-term value in the communities. During the year under review, the Group committed to a high standard of corporate social responsibility and strictly complied with the requirements of relevant laws and regulations on ESG reporting.

PROTECTING THE ENVIRONMENT

Environmental responsibility forms an important part of our corporate social responsibility. To honour our commitment to the environment, the Group is committed to conducting its business in an environmentally responsible manner, such as improving our environmental practices through minimising pollution, utilizing energy efficiently and reducing waste in our daily operations.

Emission Control

In Hong Kong, the Air Pollution Control Ordinance is the principal legislation for controlling emission of air pollutants and noxious odour from construction, industrial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits. The Group is fully committed to complying with the Air Pollution Control Ordinance and its subsidiary regulations.

As a responsible corporation, we have established policies and measures to continuously promote energy-saving and emission reduction. In addition to carbon emissions and energy consumption, the Group has also established best practices guidelines concerning air pollution, water pollution, noise, general and construction waste from head offices to project sites. Some of our eco-friendly actions may include but not limited to paper-less meetings, reusing envelopes, switching off lighting and appliances in offices after working hours, to enhance staff’s environmental awareness for reducing energy consumption and carbon emissions. To further improve fuel efficiency and reduce greenhouse gases (“GHG”) emissions, regular maintenance of the construction plants and equipment are conducted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Being a responsible contractor, we apply good construction site management by devising methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and provide our experienced staff with suitable training to ensure that these methods are implemented. Control measures such as water sprays, dust curtains and covers are applied to suppress dust from excavation and during transportation.

	Unit	Emissions
Air emissions		
Sulphur Oxide (SO _x)	Kg	1.6
GHG emissions		
Direct GHG emissions (Scope 1)	Tonne	280
Indirect GHG emissions (Scope 2)	Tonne	13
Other indirect GHG emissions (Scope 3)	Tonne	38
Total GHG emissions	Tonne	331
GHG emission intensity	Tonne/ HK\$1M revenue	0.9

Improving Resource Efficiency

Water Efficiency Management

For the sake of continuing improvements in our water-use, we have strengthened our construction site management to improve water-use efficiency. Taking into account seasonal variations, we strive to construct adequate drainage channels, catchpits, situation traps and sedimentation tanks at our project sites and conduct regular self-monitoring maintenance check to avoid blockages or leakage. In order to reduce wastewater discharge, construction wastewater is collected and treated for reuse on site for wheel washing and dust suppression, alleviating dust generation from construction and demolition activities.

Under the Water Pollution Control Ordinance (“WPCO”), Cap. 358, discharge of any waste or polluted matter into the waters, communal sewers or drains in a water control zone is not permitted. With our environmental protection facilities, we firmly comply with the above ordinance and ensure that the wastewater discharged from our construction activities into sewers or elsewhere is in compliance with the terms and conditions of the licence issued by the Environmental Protection Department (“EPD”).

Energy conservation

We have initiated a series of measures to enhance energy performance. In offices, we encourage the usage of electronic devices throughout our daily operations and take active measures to upgrade our electronic document management system; we set the air-conditioning temperatures at an environment-friendly level during summer months; all employees are told to switch off all lighting and air-conditioning if not in use; and at construction sites, our teams are also encouraged to switch off idle plants and machinery, to avoid energy wastage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Due to the nature of the industry, the Group did not consume any packaging material. Therefore, the relevant key performance indicators were not applicable. The Group is committed to efficiently consume resources during production. The Group's total resources consumption is listed in the below tables:

Natural resources	Unit	Consumption	Consumption intensity (Per HK\$1M revenue)
Electricity	kWh	20,659	58
Paper	Kg	890	0.3
Diesel	L	106,175	299
Water	m ³	24	0.1

Environmental and Natural Resources

To spur continuous improvement in environmental management practices, we have also established control measures for noise, waste generation and waste disposal.

Noise Control

According to the Environmental Impact Assessment Ordinance, Cap. 499, the noise standards for daytime construction activities should be 75 decibels for all domestic premises and 70 decibels for educational institutions. Due to increasingly stringent regulations, noise control has been a primary concern for us ever since our establishment. To meet this challenge, we strive to erect noise source screening structures as early as possible during project planning stage and use portable noise barriers for noisy stationary and mobile plants.

Waste Disposal Management

With the enactment of the Construction Waste Disposal Charging Scheme through the Waste Disposal Ordinance, Cap. 354, we have opened billing accounts with the EPD for repayment of service charges. We are committed to disposing only at legitimate disposal facilities, or through licensed collectors to collect and dispose of our wastes. Reusable materials are encouraged to be applied at site to reduce material consumption such as woods.

Environmental protection policies and plans have been set up for different projects. In effort to identify and resolve any non-compliance as soon as possible, we conduct periodic construction works inspections at sites with high environmental risks, covering dust control, and disposal of sewage and construction waste. The Group also provides experienced personnel with adequate training to ensure strict implementation of such measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions discharged by the Group in the course of operation was primarily carbon dioxide, and non-hazardous waste produced was construction waste. Since all the construction waste we produced at site are handled by our main contractor, the relevant key performance indicator was not applicable to the Group.

Due to the nature of the industry, the Group seldom produces hazardous waste. Therefore, the relevant key performance indicator was not applicable to the Group. For the year ended 31 March 2020, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and onto the land, or generation of hazardous and non-hazardous waste.

EMPLOYMENT AND LABOUR PRACTICES

Employment

We believe that staff team is the most valuable asset and the foundation for the development of the Group. In this regard, the Group aims to provide an attractive remuneration package, and fair and inclusive working environment to safeguard the legitimate rights and interests of employees. A Staff Handbook is in place to ensure that all employees are aware of the goals, policies and procedures of the Group as well as their responsibilities.

Through establishing a comprehensive employment management system, the Group abides strictly to the Employment Ordinance, Cap. 57, Laws of Hong Kong. According to the Immigration Ordinance, Cap. 115 and the Construction Workers Registration Ordinance, Cap. 583, a construction site controller should take all practicable steps to prevent illegal workers who are not lawfully employable from taking employment on site and is required to employ only registered construction workers to personally carry out construction work on construction sites. Prior to employing construction workers, the Group will carefully check their identity and registration to ensure there are no instances of child and forced labour in the Group and in compliance with the aforesaid regulations.

In addition, we recognise the importance of a fair and harmonious working environment and adhere to the principle of equal opportunities. From recruitment to promotion, the Group adheres to non-discrimination employment policies, include but not limited to the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance, and prohibits the employment of forced or child labour.

As at 31 March 2020, the Group has 110 (2019: 192) employees, including back office and site staff, in Hong Kong. In view of the high labour mobility of the construction industry, and the fact that most of the employees in the industry are temporary employees, whose employment is on a day-to-day basis or for a fixed period of less than 60 days. Hence, those temporary employees who joined and left within the year were not constituted in our annual turnover rate calculation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To accommodate our continuously growing business scale, we recruit talent from different cultures and backgrounds for our team. We also provide vast opportunities of career development for our employees, strive to match employees' personal career planning with the business development goals through talent training system, effective incentive mechanism and fair competition platform, so that mutual benefits for employees and the Group can be achieved. The construction industry has been continuously suffering from manpower shortage for years. Accordingly, we always place emphasis on attracting qualified applicants to meet future challenges by offering competitive remuneration packages. These packages are reviewed based on employees' performance and reference to prevailing market conditions, and are adjusted in a timely manner to keep them in line with sector benchmarking. Through management meetings and performance assessment, we maintain regular communication with our employees. In daily operations, employees at all levels are encouraged to share their perceptions of the Group with the management. Simultaneously, employees are also encouraged to discuss their targets in job advancement and career development with their senior management. In the hope of promoting a healthy lifestyle and work-life balance within the Group, we periodically organise a series of family-friendly recreational activities for employees to reward them, which helps fostering harmonious employment relations.

For the year ended 31 March 2020, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to employment and labour standards.

Health and Safety

Owing to our business nature, numbers of our employees are often involved in high-risk work procedures. Hence, we always place great emphasis on taking care of the safety and health at work of all persons and endeavour to provide our employees and subcontractors with a safe and health working environment. To safeguard employees' health and safety, we are fully committed to complying with the Occupational Safety and Health Ordinance, Cap. 509, the Employees' Compensation Ordinance, Cap. 282, and the Factories and Industrial Undertakings Ordinance, Cap. 59, Laws of Hong Kong.

Our operations adhere to our occupational health and safety policy to identify, assess, control and monitor safety risks. Our standardises safety requirements and procedures across the Group's operating activities, and it is supplemented with instructions for our employees. Safety measures include without limitation provision of adequate personal protection equipment such as safety helmets, ear plugs, dust masks and safety shoes, arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances, and emergency procedures for foreseeable emergencies.

According to the Employment Compensation Ordinance, Cap. 282, Laws of Hong Kong, we strictly implement the injury reporting procedure to report and submit Form 2 to the Labour Department within the prescribed period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group carries out various forms of intensive safety inspection, such as regular inspections, inspections at high-risk construction sites and inspections of high-risk work procedures. In the course of inspections, on-site foremen and site supervisors cooperate with safety officers to ensure any breaches or unsafe conditions are rectified promptly.

Work Injury Statistics

Number of work-related fatalities	Nil
Lost days due to work injury	2,813

For the year ended 31 March 2020, the Group has not found any health and safety irregularities at its offices and construction sites, and there were no work-related fatalities.

Development and Training

We believe training is an important means of talent cultivation for us, and it seeks to build a team with expertise, professional skills and strong executive capability. To encourage our employees to undertake lifelong training, we provide periodic training and development programs that add value for employees at all working levels. To continuously attract new talent, we also provide enhanced training program and education subsidies, to encourage our employees to undertake continuous learning and broaden their knowledge.

Through our employee training system, our employees participated in internal and external training courses, including those concerned with construction safety and environmental management, professional skills operation training and emergency awareness. In future, the Group will invest further resources to provide employees with more comprehensive training programs, with the aim of enriching personal and professional development.

OPERATION MANAGEMENT

Supply Chain Management

The quality of the services the Group provides, and the quality of the infrastructure it builds are dependent on the reliability and quality of products and services delivered by suppliers. In addition to stringent internal controls and regular assessment, the Group maintains high standards for all aspects of operations and works with partners to build a sustainable supply chain.

It is the Group's objective to build lasting and constructive relationships with partners in its supply chain. Procedures for supplier evaluation and management mechanism are formulated to ensure fairness and transparency. For the selection of our suppliers, quality, lead time and after-sales service capability are our major consideration. Certainly, we also consider whether our suppliers follow the environmental standards from the Environmental Protection Department. Suppliers who with unsatisfied performance may subject to removal from our pre-approved list of suppliers.

We aim to deepen relationships with our suppliers and subcontractors, we maintain regular communication with them, sharing knowledge and experience of good industry practice, and adopting it in our operations. In our daily operations, we tend to procure from local suppliers so as to reduce our carbon footprint and transportation costs. During the reporting period, a hundred percent of our suppliers are located in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

Attaching great importance to quality improvement, the Group strictly followed legal and industry standards and promotes the ultimate accountability on projects. From the commencement to completion of projects, stringent quality assurance and control procedures are applied during material procurement, material testing, construction works processing. Our experienced staff monitor and control quality, time and cost to help ensure effective project planning, design and construction from inception to completion.

The Group recognises the importance of data privacy and it is dealt seriously across the Group. To ensure information security, the Group has established guidelines for handling confidential or special information provided by customers, employees and business associates. All collected customer data are treated as strictly confidential and handled with due care.

For the year ended 31 March 2020, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to the Personal Data (Privacy) Ordinance.

Anti-Corruption

The Group regards integrity and fairness as the foundation of CSR. We are committed to operating as a responsible business by uphold high ethical standards and conducting business in an honest and ethical way with integrity. The Group strictly abides by the anti-bribery relevant laws and regulations and prohibits all behaviours that may be suspected of corruption and bribery. Employees are familiarised with our stringent anti-corruption principles through on-the-job training or verbal communications. Standardised rules and guidelines in handling a range of situations such as gifts-givings, entertainment and financial management are specified in our Staff Handbook.

For instance, employees are prohibited from accepting or offering gifts or services from or to our customers, suppliers or any person who has business dealings of any kind with the Group. Falsifying documents and furnishing false accounting records, receipts or invoices are also strictly prohibited.

The Group encourages employees to confidentially report any integrity-related issues through whistleblowing channels.

For the year ended 31 March 2020, the Group did not receive any notice of non-compliance brought against the Group or its employees in relation to anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance, Cap. 201, the Theft Ordinance, Cap. 210 and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615 Laws of Hong Kong.

CARING FOR THE COMMUNITY

The Group always takes the interests of the communities where it operates into account and regards contributing to community well-being as an important way realising such values. In order to be a more responsible business and create a better living environment for the local community, we are also committed to continuously providing sponsorships and donations to various charitable organisations.

During the year, the Group has made donations to sponsor charity events such as LAP DOG challenge 2019 to support construction industry in Hong Kong.

DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements for the Reporting Period.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015.

The Company completed the corporate reorganisation (the "Reorganisation") on 22 February 2016 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising the Group.

The Shares were listed on GEM of the Stock Exchange on 12 April 2016 by way of placing.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of civil engineering works. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements of this report. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

Detailed business review, financial key performance indicators and likely future development are set out in the section of "Management Discussion and Analysis" in this report. A discussion of the principal risks and uncertainties, environmental policies of the Group, compliance with laws and regulations by the Group are illustrated in this Directors' report.

PRINCIPAL RISK AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

- (i) A significant portion of our revenue was derived from a small number of customers. Our five largest customers' revenue contribution for the Reporting Period was 93.0% (31 March 2019: 96.6%) of our total revenue, while our largest customer accounted for approximately 35.9% during the Reporting Period (31 March 2019: 60.9%). There is no assurance that we will be able to retain our customers upon expiry of the contract period and to obtain suitable projects of a comparable size and quantity as replacement, failing to do so will have a material impact on our financial conditions and operating results;
- (ii) Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss;

DIRECTORS' REPORT

- (iii) If net cash outflows to pay certain operating expenditures do not align with progress payments to be received at any particular period of time, our cash flow position may be adversely affected;
- (iv) The Group's success is attributable to the contribution of, among others, our senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of our senior management and in-house professional to facilitate the formulation of competitive tenders and in deciding the best suitable construction methodology in order to carry out our project works in an efficient manner while being able to meet customers' demand. Fail to hire in a timely manner and to retain suitable, skilled and qualified senior management personnel and in-house professional to meet our construction needs could adversely impact our business, results of operation and profitability of the Group; and
- (v) The Group's operations are conducted outdoors and are affected by weather conditions. If we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses while we experience reduced revenues and profitability, our revenue, costs, financial conditions and growth potentials will be adversely affected.

ENVIRONMENTAL POLICY

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

We had ceased our ISO 14001:2004 certificate on 18 August 2017. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the Reporting Period, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Reporting Period.

DIRECTORS' REPORT

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 49 of this report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Period (2019: HK\$Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements of this report.

SHARE CAPITAL

Movements of the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2020, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$9,620,000.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme (the "Share Option Scheme") as set out below, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

SHARE OPTION SCHEME

The Share Option Scheme of the Company has been adopted by way of shareholder's written resolution passed on 24 March 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the businesses of the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and are summarised below:

DIRECTORS' REPORT

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or INEDs or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, INEDs, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

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

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 24 March 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

Up to the date of this report, 31,200,000 share options has been granted by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK\$0.04 each of the Company.

Category of participants	Date of grant	Number of share options				Outstanding as at 31 March 2020	Exercisable period	Exercise price per share (HK\$)
		Granted during the year ended 31 March 2020	Exercised during the year ended 31 March 2020	Cancelled during the year ended 31 March 2020	Forfeited during the year ended 31 March 2020			
Executive director								
So Kwok Hung	11 July 2019	3,120,000	-	-	-	3,120,000	5 years	0.404
Xu Xiao	11 July 2019	3,120,000	-	-	-	3,120,000	5 years	0.404
Employees								
	11 July 2019	15,600,000	-	-	-	15,600,000 (note (i))	5 years	0.404
Consultants								
	11 July 2019	9,360,000	-	-	-	9,360,000 (note (ii))	5 years	0.404

Notes:

- (i) The share options have been granted to 5 employees and each of them hold 3,120,000 share options.
- (ii) The share options have been granted to 3 consultants and each of them hold 3,120,000 share options.

DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

KEY RELATIONSHIPS

Employees

The Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve the Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

A majority of our five largest customers have long-standing business relationship with us for over ten years and we will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future. The Group's experience as a quality subcontractor in handling civil engineering projects also give business advantage to our customers to ensure projects are executive in accordance with their quality standard.

Suppliers and subcontractors

The Group encompasses working relationships with suppliers and subcontractors to meet our Customers' needs in an effective and efficient manner. The Group has set up an approved list of suppliers and we select our suppliers from the list based on their prices, quality, past performances and timeliness of delivery.

Subject to our capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, we may subcontract our works to other subcontractors. We maintain an internal list of approved subcontractors and carefully evaluate the performance of our subcontractors and select them based on their background, technical capability, experience, fee quotation, service quality, labour resources, timeliness of delivery, reputation and safety performance.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the Reporting Period, our largest customer accounted for approximately 35.9% (2019: 60.9%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 93.0% (2019: 96.6%).

For the Reporting Period, our largest supplier accounted for approximately 9.1% (2019: 10.8%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) attributable to our five largest suppliers in aggregate was approximately 28.0% (2019: 34.0%).

DIRECTORS' REPORT

For the Reporting Period, our largest subcontractor amounted to approximately 10.0% (2019: 19.2%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 40.0% (2019: 45.9%).

None of the Directors, their close associates, or any Shareholders who or which, to the knowledge of the Directors, owned more than 5% of the issued Shares have any interest in any of the five largest customers, suppliers and subcontractors during the year ended 31 March 2020.

DIRECTORS

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

Executive Directors

Mr. So Kwok Hung (*Chairman*)

Ms. Yu Xiao

INEDs

Mr. Wong Chi Kan

Mr. Tai Hin Henry

Mr. Liao HongHao

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

Information regarding Directors' emoluments is set out in note 15(a) to the consolidated financial statements of this report.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

DIRECTORS' 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 Listing Date and until terminated by either the Company or the Director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

INDEMNITY OF DIRECTORS

Starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

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 15 to the consolidated financial statements in this report.

DIRECTORS' REPORT

EMOLUMENT POLICY

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

COMPETING INTERESTS

The Directors confirm that none of the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period and up to the date of this report.

DISCLOSURE OF INTERESTS

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

As at 31 March 2020, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, 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:

DIRECTORS' REPORT

Aggregate long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Executive Directors:			
So Kwok Hung	Personal interest	3,120,000	1%
Yu Xiao	Personal interest	3,120,000	1%

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 31 March 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Blooming Union Investments Limited ("Blooming Union")	Beneficial owner	81,757,500	26.20%
Wong Che Kwo	Interest in a controlled corporation (note 1)	81,757,500	26.20%
Law Oi Ling	Interest of spouse (note 2)	81,757,500	26.20%
Wong Wing Wah	Interest in a controlled corporation (note 1)	81,757,500	26.20%
Lai Siu Kuen	Interest of spouse (note 3)	81,757,500	26.20%

DIRECTORS' REPORT

Note:

1. Blooming Union is owed as to 50% and 50% by each of Mr. Wong Che Kwo and Mr. Wong Wing Wah respectively. Mr. Wong Che Kwo and Mr. Wong Wing Wah is deemed to be interested in the Shares held by Blooming Union pursuant to the SFO.
2. Ms. Law Oi Ling, the spouse of Mr. Wong Che Kwo, is deemed, or taken to be, interested in all Shares in which Mr. Wong Che Kwo is interested for the purpose of the SFO.
3. Ms. Lai Siu Kuen, the spouse of Mr. Wong Wing Wah, is deemed, or taken to be, interested in all Shares in which Mr. Wong Wing Wah is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group are set out in note 36 to the consolidated financial statements to this report.

The related party transactions do not constitute connected transactions of the Company for the Reporting Period. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 12 to 24 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this report.

DIRECTORS' REPORT

DONATIONS

During the Reporting Period, the Group has made charitable and other donations of HK\$2,000 (2019: HK\$8,000).

AUDITORS

The consolidated financial statements for the year ended 31 March 2018 have been audited by Grant Thornton Hong Kong Limited ("Grant Thornton"). Grant Thornton has resigned as auditors of the Company with effect from 10 April 2019. Elite Partners CPA Limited ("Elite Partners") was appointed as the new auditors of the Company with effect from 10 April 2019. The consolidated financial statements for the year ended 31 March 2019 have been audited by Elite Partners.

The consolidated financial statements for the Reporting Period have been audited by Elite Partners. Elite Partners shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditors of the Company will be proposed at the forthcoming AGM.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2020 and up to the date of this report.

On behalf of the Board
Luen Wong Group Holdings Limited
So Kwok Hung
Chairman and Executive Director

Hong Kong, 26 June 2020

INDEPENDENT AUDITOR'S REPORT



To the members of Luen Wong Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Luen Wong Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 123, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction works	
<p>The Group recorded revenue from construction contracts of approximately HK\$354,884,000 for the year ended 31 March 2020.</p> <p>Contract revenue is recognised over time using the output method, based on direct measurements of the value of services delivered or work performed, which is established by reference to the construction works certified by the customers. Contract costs are recognised when work is performed.</p> <p>The recognition of contract revenue and costs relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.</p> <p>We identified contract revenue and costs as a key audit matter because the estimation of the total revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.</p>	<p>Our audit procedures to assess the recognition of construction work included the following:</p> <ul style="list-style-type: none"> • discussing with the Group's management the performance of the major contracts in progress during the year and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and their assessment of potential liquidated damages for contracts which are behind schedule, by obtaining and assessing information in connection with the assumptions adopted, including contract agreements and subcontracts, confirmations from and correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts; • obtaining a detailed breakdown of the total estimated costs to completion for major contracts in progress during the year and comparing, on a sample basis, actual costs incurred to-date and cost estimates to agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion; • performing site visits, on a sample basis, to observe the progress of individual contract and discussing with site personnel the status of each project and evaluating whether the project progress was consistent with the agreed timetable and the Group's financial accounting records; and • inspecting a sample of contract agreements with customers and subcontractors to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of work, liquidated damages and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete under the forecasts of contract.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment	
<p>As disclosed in the note 18 to the consolidated financial statements, the carrying amount of site equipment and motor vehicle reported under property, plant and equipment as at 31 March 2020 was HK\$19,049,000 and HK\$1,746,000.</p> <p>For the purpose of the impairment assessment of site equipment and motor vehicle, the Group assessed the recoverable amount of the cash-generating unit ("CGU") at the end of the reporting period. We had identified impairment assessment of site equipment and motor vehicle as a key audit matter because the balance was material and significant judgement was involved by management to determine the key assumptions including estimated future income, operating margins and discount rate, etc.</p> <p>We identified the impairment assessment of site equipment and motor vehicle as a key audit matter due to the significant to the consolidated financial statements as a whole and the judgements associated with the assessment of the recoverable amount of site equipment and motor vehicle by the management of the Group.</p>	<p>Our procedures in relation to the management's impairment assessment of property, plant and equipment included the following:</p> <ul style="list-style-type: none"> • understanding the management's impairment assessment process on identifying assets that may be indicative to be impaired, and evaluating the reasonableness of the management's assessment with reference to the utilisation and income generated from the property, plant and equipment in recent years; • obtaining cash flow forecast relating to the CGU prepared by the Group's management and approved by the directors; • discussing with Group's management in relation to the methodology used and the appropriateness of the key assumptions adopted in the value-in-use model; and • testing on a sample basis, the accuracy and reliance of the input data used.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Siu Edmund with Practising Certificate number P05333.

Elite Partners CPA Limited

Certified Public Accountants
10/F,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

26 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	8	354,884	432,842
Cost of sales		(375,080)	(431,697)
Gross (loss)/profit		(20,196)	1,145
Other income	10	851	2,490
Other gains or losses	11	(14,397)	9,071
Impairment loss on financial asset at amortised cost, net of reversal	12	(4,055)	213
Administrative and other operating expenses		(18,549)	(19,469)
Loss from operations		(56,346)	(6,550)
Finance costs	13	(42)	(18)
Loss before taxation	13	(56,388)	(6,568)
Income tax – credit	14	821	520
Loss and total comprehensive expense for the year attributable to owners of the Company		(55,567)	(6,048)
		<i>HK cents</i>	<i>HK cents (restated)</i>
Loss per share			
Basic and diluted	17	(17.81)	(1.94)

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	22,071	33,760
Right-of-use assets	19	728	–
Other financial assets	21	–	3,201
		22,799	36,961
Current assets			
Contract assets	22	45,371	54,073
Trade and other receivables	23	126,062	127,248
Financial assets at fair value through profit or loss (“FVTPL”)	24	17,096	23,391
Tax recoverable		–	30
Cash and cash equivalents	25	3,819	21,278
		192,348	226,020
Current liabilities			
Trade and other payables	26	47,272	42,760
Contract liabilities	22	–	71
Amount due to a shareholder	27	132,888	132,888
Lease liabilities	29	287	–
Obligations under finance leases	28	–	235
Tax payable		627	–
		181,074	175,954
Net current assets		11,274	50,066
Total assets less current liabilities		34,073	87,027
Non-current liabilities			
Obligations under finance leases	28	–	656
Lease liabilities	29	411	–
Deferred tax liabilities	30	2,441	3,912
		2,852	4,568
Net assets		31,221	82,459
CAPITAL AND RESERVES			
Share capital	31	12,480	12,480
Reserves	33	18,741	69,979
Total equity attributable to owners of the Company		31,221	82,459

So Kwok Hung
Director

Yu Xiao
Director

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

Total equity attributable to owners of the Company								
	Share capital	Share premium*	Revaluation reserve*	Share-based payments reserve*	Other reserve*	Capital reserve*	Retained earnings/ (accumulated losses)*	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 31)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	
Balance as at 31 March 2018	12,480	36,672	(426)	-	10,400	3,820	40,532	103,478
Impact on initial application of HKFRS 15	-	-	-	-	-	-	(14,444)	(14,444)
Impact on initial application of HKFRS 9	-	-	426	-	-	-	(953)	(527)
Adjusted balance of 1 April 2018	12,480	36,672	-	-	10,400	3,820	25,135	88,507
Loss and total comprehensive expense	-	-	-	-	-	-	(6,048)	(6,048)
Balance as at 31 March 2019 and as at 1 April 2019	12,480	36,672	-	-	10,400	3,820	19,087	82,459
Loss and total comprehensive expense	-	-	-	-	-	-	(55,567)	(55,567)
Recognition of equity-settled share-based payment	-	-	-	4,329	-	-	-	4,329
Balance as at 31 March 2020	12,480	36,672	-	4,329	10,400	3,820	(36,480)	31,221

* The reserve accounts comprise the Group's reserves of HK\$18,741,000 (2019: HK\$69,979,000) in the consolidated statement of financial position.

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Loss before taxation	(56,388)	(6,568)
Adjustments for:		
Depreciation of property, plant and equipment	5,887	6,161
Depreciation of right-of-use assets	358	–
Gain on disposal of property, plant and equipment, net	(440)	(13)
Unrealised loss of financial assets at FVTPL	10,242	10,127
Realised loss/(gain) of financial assets at FVTPL	5	(19,185)
Finance costs	42	18
Impairment loss on property, plant and equipment	4,590	–
Impairment loss on trade receivables, net of reversal	1,446	(201)
Impairment loss on contract assets, net of reversal	2,609	(12)
Dividend income	(25)	(32)
Interest income	(3)	(5)
Equity-settled share-based payments expenses	4,329	–
Operating cash flow before movement in working capital	(27,348)	(9,710)
Decrease/(increase) in contract assets	6,093	(10,756)
Increase in trade and other receivables	(260)	(42,284)
(Increase)/decrease in financial assets at FVTPL	(3,977)	25,411
Decrease in amount due from a director	–	462
Increase/(decrease) in trade and other payables	4,512	(42,391)
Decrease in contract liabilities	(71)	(2,143)
Cash used in operating activities	(21,051)	(81,411)
Income taxes refunded	7	4,688
<i>Net cash used in operating activities</i>	(21,044)	(76,723)
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	784	180
Payment for purchases of property, plant and equipment	(3)	(1,161)
Proceed from disposal of other financial asset	3,226	–
Interest received	3	5
Dividend received	25	32
<i>Net cash generated from/(used in) investing activities</i>	4,035	(944)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash flows from financing activities			
Interest paid		(42)	(18)
Repayments of lease liabilities		(408)	–
Repayments of capital element of finance leases		–	(233)
Net cash used in financing activities		(450)	(251)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the reporting period		21,278	99,196
Cash and cash equivalents at the end of the reporting period	25	3,819	21,278

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Luen Wong Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015. The addresses of the Company’s registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 703A, 7/F, Gee Tuck Building, 16-20 Bonham Strand, Sheung Wan, Hong Kong respectively.

The Company is an investment holding company, and its subsidiaries (together, the “Group”) are principally engaged in the provision of civil engineering works and investment holding.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 April 2016.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and most of its subsidiaries incorporated in Hong Kong.

The consolidated financial statements for the year ended 31 March 2020 were approved for issue by the board of directors on 26 June 2020.

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

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

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

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

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

HKFRS 16 Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

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.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

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. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liability for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant Group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.70%.

	Note	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	35	697
Less: Recognition exemption – short-term leases		(473)
		<u>224</u>
Lease liabilities as at 1 April 2019 discounted at relevant incremental borrowing rates		215
Reclassified from obligations under finance leases	(a)	<u>891</u>
		<u>1,106</u>
		HK\$'000
Analysed as		
Current		408
Non-Current		<u>698</u>
		<u>1,106</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Note	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		215
Reclassified from property, plant and equipment	(b)	871
		<u>1,086</u>
By class		
Office		215
Motor vehicle		871
		<u>1,086</u>

Note:

- (a) Contractual obligation for motor vehicles held under finance lease in the Hong Kong were classified as obligations under finance leases as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of obligations under finance leases amounting to HK\$235,000 and HK\$656,000 respectively were reclassified to lease liabilities.
- (b) Motor vehicles held under finance lease in Hong Kong were classified as property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the net book value of property, plant and equipment amounting to HK\$871,000 were reclassified to right-of-use assets.

Transition to HKFRS 16 does not have a material impact on retained earnings as at 1 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported as at 31 March 2019	Adjustments	Carrying amount under HKFRS 16 as at 1 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	33,760	(871)	32,889
Right-of-use assets	–	1,086	1,086
Non-current liabilities			
Obligations under finance lease	(656)	656	–
Lease liabilities	–	(698)	(698)
Current liabilities			
Obligations under finance leases	(235)	235	–
Lease liabilities	–	(408)	(408)

Note: 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 consolidated statement of financial position as at 1 April 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

2.2 New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Materials ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁵

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

² Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020

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

⁴ Effective for annual periods beginning on or after 1 June 2020

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of all new and amendments to HKFRSs is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure in foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and by the disclosure requirements of the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

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

Details of the Group's performance obligations for revenue for contracts with customers resulting from application of HKFRS 15 are set out in note 8.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

Output method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

Upon the application of HKFRS 16 on 1 April 2019

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 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 or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Upon the application of HKFRS 16 on 1 April 2019 (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)
(Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, 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; and
- any initial direct costs incurred by the Group.

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

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Upon the application of HKFRS 16 on 1 April 2019 (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)
(Continued)

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 lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Under HKAS 17 (prior to 1 April 2019)

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligations under finance leases. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Land and building	5%
Furniture and equipment	10%
Site equipment	10%
Motor vehicles	20%

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

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and right-of-use assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

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

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.s a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains or losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including contract assets, trade and other receivables (excluded prepayments) and, cash and cash equivalents) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables and contract assets without financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or 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;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 or 45 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets (Continued)

- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis to 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; and
- Nature, size and industry of debtors.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and amount due to a shareholder) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent assets and liabilities (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Segment information

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management 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 and the methods used to distribute the products or provide the services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

- (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 Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group 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.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

- (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).
- (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

Critical judgements in applying accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Measurement of ECL

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the measurement of ECL; and
- Establishing the relative probability weightings of forward looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined in note 6. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgements involved.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the appropriate model for each type of financial assets, as well as the assumptions used in these models. Please refer to note 6 for more details on ECL.

Key sources of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(a) Measurement of ECL

Impairment assessment under ECL for trade receivables and contract assets

The Group uses a provision matrix to calculate ECL for the contract assets and trade receivables that result from transactions within the scope of HKFRS 15. The provision rates are based on debtor's ageing as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information is considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 6.

Impairment assessment under ECL for financial assets at amortised cost other than contract assets and trade receivables (including other receivables and, cash and cash equivalents)

The impairment assessment under ECL for financial assets at amortised cost (including other receivables and, cash and cash equivalents) is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instrument.

(i) Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement. For credit-impaired financial assets, the management perform individual assessment for each client by considering various factors, including the realisable value of securities or collaterals from clients and their guarantors which are held by the Company and subsequent settlement and additional collaterals received.

(ii) Forward-looking information

In measuring ECL in accordance with HKFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of financial assets at amortised cost is disclosed in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(b) *Impairment of property, plant and equipment*

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of site equipment and motor vehicle are HK\$19,049,000 and HK\$1,746,000 respectively after taking into account the impairment losses of HK\$4,590,000 (2019: Nil) in respect of property, plant and equipment that have been recognised respectively. Details of the impairment of property, plant and equipment are disclosed in note 18.

(c) *Construction contracts*

As explained in policy note 3, revenue from construction contracts are recognised over time using the output method. Such revenue and profit recognition on uncompleted projects is dependent on estimating the outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiency advanced such that the outcome of the contract can be reasonably measured. Until this point is reached and the related contract assets disclosed in note 22 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. CAPITAL RISK MANAGEMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CAPITAL RISK MANAGEMENT (Continued)

The capital structure of the Group consists of equity attributable to owners of the Company. The ratio is calculated based on total debt and total assets of the Group. The Directors review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratios at 31 March 2020 and 31 March 2019 were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Obligations under finance leases	–	891
Lease liabilities	698	–
Total borrowings	698	891
Less: cash and cash equivalent	(3,819)	(21,278)
Excess of cash and cash equivalent over total borrowings	(3,121)	(20,387)
Total equity attributable to owner of the Company	31,221	82,459
Debt to equity ratio	N/A	N/A

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 <i>HK\$000</i>	2019 <i>HK\$000</i>
Financial assets		
Financial assets at FVTPL	17,096	23,391
Financial assets at amortised cost	173,281	126,429
	190,377	149,820
Financial liabilities		
Amortised cost	180,160	175,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group major financial instruments include financial assets at FVTPL, contract assets, trade and other receivables (excluded prepayments), cash and cash equivalents, trade and other payables and, amount due to a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments induce market risk (including other equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

Market risk

(i) Other equity price risk

Other equity price risk a The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in 2 (2019: 2) industry sector quoted in the Stock Exchange. In addition, the Group monitors the price risk closely and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective financial assets at FVTPL had been 5% (2019: 5%) higher/lower:

Post-tax loss for the year ended 31 March 2020 would decrease/increase by HK\$714,000 (2019: HK\$977,000) as a result of the change in fair value of financial assets at FVTPL.

The Group's sensitivity to financial assets at FVTPL has not changed significantly from the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to contract assets, trade receivables, receivables from a securities broker, other receivables, deposits and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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 and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Trade receivables and contract assets arising from contracts with customers

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 51% (2019: 66.4%) and 99.8% (2019: 95.8%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

Impairment assessment

In addition, the Group performs impairment assessment under ECL model on trade receivables and contracts assets individually or based on provision matrix. The trade receivables is grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment for trade receivables and contracts assets of approximately HK\$1,446,000 (2019: reversal of impairment loss approximately HK\$201,000) and HK\$2,609,000 (2019: reversal of impairment loss approximately HK\$12,000) respectively are recognised during the year. Details of the quantitative disclosures are set out below in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Cash and cash equivalents

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2020 and 2019, the Group assessed the ECL for other were insignificant and thus no loss allowance was recognised.

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

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets
Low risk	The counter party has a low risk of default and does not have any past-due amounts and the counter party frequently repays after due dates but usually settle in full	Lifetime ECL – not credit impaired	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition information developed internally or external resources	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Written-off	There is evidence indicating that debtor is severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amounts HK\$'000	2019 Gross carrying amounts HK\$'000
Financial assets at amortised cost						
Trade receivables	23	N/A	(Note 1)	Lifetime ECL – not credit impaired	115,500	33,295
Trade receivables	23	N/A	Amount is written off	Lifetime ECL – credit impaired	1,389	–
Contract assets	22	N/A	(Note 1)	Lifetime ECL – not credit impaired	45,439	54,272
Contract assets	22	N/A	Amount is written off	Lifetime ECL – credit impaired	2,740	–
Other receivables	23	N/A	(Note 2)	12-month ECL	8,763	17,898
Cash and cash equivalents	25	A1 or above	(Note 3)	12-month ECL	3,819	21,278

Notes:

- (1) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its construction operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Trade receivables and contract assets with carrying values of HK\$115,500,000 (2019: HK\$33,295,000) and HK\$45,439,000 (2019: HK\$54,272,000) respectively are assessed based on provision matrix within lifetime ECL (not credit impaired).

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 contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(1) (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from contracts with customers:

As at 31 March 2020

Internal credit rating	Average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Grades 1-5: low risk	0.2	115,500	(172)
		115,500	(172)

As at 31 March 2019

Internal credit rating	Average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Grades 1-5: low risk	0.2	33,147	(105)
Grades 8: Doubtful	6.5	148	(10)
		33,295	(115)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(1) (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets:

As at 31 March 2020

Internal credit rating	Average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Grades 1-5: low risk	0.2	45,439	(68)
		45,439	(68)

As at 31 March 2019

Internal credit rating	Average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Grades 1-5: low risk	0.2	54,272	(199)
		54,272	(199)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(1) (Continued)

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

	2020 HK\$000		2019 HK\$000	
	Not credit impaired	Credit- impaired	Not credit impaired	Credit- impaired
Balance at beginning of the year	115	-	-	-
Adoption of HKFRS 9	-	-	316	-
	115	-	316	-
Impairment loss recognised	1,446	-	-	-
Transfer to credit-impaired	(1,389)	1,389	-	-
Write-offs for the year	-	(1,389)	-	-
Reversal of impairment loss	-	-	(201)	-
Balance at end of the year	172	-	115	-

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

	2020 HK\$000		2019 HK\$000	
	Not credit impaired	Credit- impaired	Not credit impaired	Credit- impaired
Balance at beginning of the year	199	-	-	-
Adoption of HKFRS 9	-	-	211	-
	199	-	211	-
Impairment loss recognised	2,609	-	-	-
Transfer to credit-impaired	(2,740)	2,740	-	-
Write-offs for the year	-	(2,740)	-	-
Reversal of impairment loss	-	-	(12)	-
Balance at end of the year	68	-	199	-

(2) Included in other receivables, deposits and receivable from a securities broker is amounts representing due from an independent third. The Group assessed the loss allowance for these other receivables and amount due from a director on 12-month ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant. There is no fixed repayment terms for other receivables as at years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

- (3) The credit risk on cash and cash equivalents are limited because the counterparties are with high credit ratings assigned by international credit rating agencies. Majority of bank balances are deposited in reputable large commercial banks with credit rating of A1 or above issued by Moody's.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's liquidity position is monitored on a daily basis by management and is reviewed monthly by the directors. The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if variable, based on the prevailing interest rate at the end of each reporting period.

	Interest rate	Within 1 year or on demand HK\$'000	1-2 year HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2020						
Lease liabilities	4.30%-6.70%	311	269	157	737	698
Amount due to a shareholder	-	132,888	-	-	132,888	132,888
Trade and other payables	-	47,272	-	-	47,272	47,272
		180,471	269	157	180,897	180,858
	Interest rate	Within 1 year or on demand HK\$'000	1-2 year HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2019						
Obligations under finance leases	4.30%	269	269	425	963	891
Amount due to a shareholder	-	132,888	-	-	132,888	132,888
Trade and other payables	-	42,760	-	-	42,760	42,760
		175,917	269	425	176,611	176,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For the level 2, the fair value is quoted by international well-known bank.

(i) Fair value of financial assets and financial liabilities that are not measured at fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

(ii) Fair value of financial assets and financial liabilities that are measured at fair value

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(ii) Fair value of financial assets and financial liabilities that are measured at fair value (Continued)

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 March 2020

	Level 1 <i>HK\$000</i>	Level 2 <i>HK\$000</i>	Level 3 <i>HK\$000</i>	Total <i>HK\$000</i>
Financial assets:				
Financial assets at FVTPL	17,096	–	–	17,096

As at 31 March 2019

	Level 1 <i>HK\$000</i>	Level 2 <i>HK\$000</i>	Level 3 <i>HK\$000</i>	Total <i>HK\$000</i>
Financial assets:				
Financial assets at FVTPL	23,391	–	–	23,391
Other financial assets	–	3,201	–	3,201

During the years ended 31 March 2019 and 2020, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they incur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

8. REVENUE

Revenue represents the consideration received and receivable from the provision of civil engineering works and provision of decoration and renovation works.

Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Type of services		
Provision of civil engineering works	300,578	413,584
Provision of decoration and renovation works	54,306	19,258
Revenue from contract with customers	354,884	432,842

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
Over time	354,884	432,842

Performance obligations for contracts with customers

The Group provides civil engineering works and decoration and renovation works. Such works are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the Group performs. Revenue is recognised for these contract works based on the stage of completion of the contract using output method. Contracts with the Group's customers are agreed in fixed-price.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

8. REVENUE (Continued)

Performance obligations for contracts with customers (Continued)

A contract asset is recognised over the period in which the contract services are performed representing the Group's right to consideration for the services performed because the rights are conditional on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 0.5 to 2 years from the date of the practical completion of the contract works. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the contract services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

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

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 HK\$184,474,000 (2019: HK\$305,559,000). The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months.

9. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the provision of civil engineering works and decoration and renovation works. This operating segment has been identified on the basis of internal management reports reviewed by the Information reported to the Board of Directors of the Company, being the chief operating decision makers ("CODM"), being the executive directors of the Company. The CODM mainly reviews revenue derived from the provision of civil engineering works. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

(a) Geographical information

The Group's operations are located in Hong Kong and all the revenue of the Group were derived from Hong Kong. The Group's non-current assets are located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. SEGMENT INFORMATION (Continued)

(b) Major customers

Revenue from customers of the years ended 31 March 2020 and 2019 contributed over 10% of the Group's revenue are as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Customer 1	127,344	264,497
Customer 2	–*	84,467
Customer 3	96,000	N/A
Customer 4	54,306	–*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2020 and 2019.

10. OTHER INCOME

	2020 HK\$'000	2019 <i>HK\$'000</i>
Dividend income from financial assets at FVTPL	25	32
Interest income	3	5
Sundry income	823	2,453
	851	2,490

11. OTHER GAINS OR LOSSES

	2020 HK\$'000	2019 <i>HK\$'000</i>
Unrealised loss of financial assets at FVTPL	(10,242)	(10,127)
Gain on disposal of property, plant and equipment	440	13
Realised (loss)/gain of financial assets at FVTPL	(5)	19,185
Impairment loss on property, plant and equipment	(4,590)	–
	(14,397)	9,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. IMPAIRMENT LOSS ON FINANCIAL ASSET AT AMORTISED COSTS, NET OF REVERSAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment losses recognised/(reversal) on:		
Trade receivables	1,446	(201)
Contract assets	2,609	(12)
	4,055	(213)

13. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on obligations under finance leases	–	18
Interests on lease liabilities	42	–
	42	18

(b) Staff costs (including director's remuneration)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, wages and other benefits	70,008	85,194
Contributions to defined contribution retirement plan	2,364	2,955
Equity-settled share-based payments expenses	3,984	–
	76,356	88,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. LOSS BEFORE TAXATION (Continued)

(c) Other items

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
– audit services	400	400
Depreciation of property, plant and equipment		
– own assets	5,887	6,046
– leased assets	–	115
Depreciation of right-of-use assets	358	–
Operating lease charges in respect of premises and office equipment	–	748
Expenses related to short-term leases of premises	473	–
Site equipment rental costs (included in cost of sales)	24,591	38,917
Equity-settled share-based payments expenses		
– consultants	345	–

14. TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
– Current year	627	–
– Under-provision in respect of prior years	23	4
	650	4
Deferred tax		
– Current year (note 30)	(1,471)	(524)
Income tax – credit	(821)	(520)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. TAXATION (Continued)

(a) (Continued)

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the year ended 31 March 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the year ended 31 March 2020, Hong Kong Profits Tax was calculated at a flat rate of 16.5% (2019: 16.5%) of the estimated assessable profits.

The directors are in the view that the impact of the two-tiered profits tax rates regime on the Group's current and deferred tax position is not material.

(b) Reconciliation between income tax credit and accounting loss at applicable tax rate:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation	(56,388)	(6,568)
Tax at applicable tax rate	(9,304)	(1,084)
Tax effects on:		
– Non-taxable income	(112)	(3,209)
– Non-deductible expenses	3,716	1,647
– Utilisation of tax losses previously not recognised	(43)	–
– Temporary differences not recognised	(815)	–
– Two-tiered profits tax rates regime	(165)	–
– Tax reduction	(20)	–
– Estimated tax losses not recognised	5,899	2,122
– Under-provision in respect of prior year	23	4
Income tax – credit	(821)	(520)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	Other emoluments				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Equity-settled share-based payments expenses HK\$'000	
Year ended 31 March 2020					
Executive directors					
Mr. So Kwok Hung (<i>chairman</i>) (note a)	180	-	-	607	787
Ms. Yu Xiao	180	-	-	607	787
Independent non-executive directors					
Mr. Wong Chi Kan	120	-	-	-	120
Mr. Tai Hin Henry	120	-	-	-	120
Mr. Liao Honghao	102	-	-	-	102
	702	-	-	1,214	1,916
Year ended 31 March 2019					
Executive directors					
Mr. So Kwok Hung (<i>chairman</i>) (note a)	180	-	-	-	180
Mr. Wong Che Kwo (note b)	-	240	3	-	243
Mr. Wong Wing Wah (note c)	-	120	2	-	122
Ms. Yu Xiao	180	-	-	-	180
Mr. Chiu Chi Wang (note c)	-	49	2	-	51
Independent non-executive directors					
Mr. Wong Chi Kan	120	-	-	-	120
Mr. Tai Hin Henry	120	-	-	-	120
Mr. Liao Honghao	102	-	-	-	102
	702	409	7	-	1,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Note:

- (a) Appointed as executive director on 16 November 2017 and appointed as Chairman on 21 May 2018.
- (b) Resigned as executive director on 21 May 2018.
- (c) Resigned as executive director on 17 April 2018.

No emoluments were paid by the Group to the directors or as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 March 2020 (2019: Nil). There were no directors have waived or agreed to waive any emoluments during the year (2019: Nil).

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year did not include any directors as of 31 March 2020 (2019: Nil) whose emoluments are disclosed above. Details of the emoluments of the remaining five (2019: five) highest paid individuals are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, wages and other benefits	4,845	5,265
Discretionary bonuses	251	2,233
Contributions to defined contribution retirement plan	89	90
Equity-settled share-based payments expenses	554	–
	5,739	7,588

The emoluments of the remaining five (2019: five) highest paid individuals are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK\$Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	3	1
HK\$2,000,000 to HK\$2,500,000	–	2
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals (Continued)

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: Nil). There were no five highest paid individuals have waived or agreed to waive any emoluments during the year (2019: Nil).

16. DIVIDENDS

No dividend was declared or paid by the Company to its shareholders during the year (2019: Nil), nor has any dividend been declared since the end of the reporting period (2019: Nil).

17. LOSS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Loss		
Loss for the year attributable to owners of the Company	(55,567)	(6,048)
	2020 '000	2019 '000 (Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	312,000	312,000

The computation of diluted loss per share for the years ended 31 March 2020 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

During the year, the Company implemented the share consolidation of every four shares into one consolidated share (the "Share Consolidation"). The Share Consolidation were completed on 18 March 2020. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss per share has been adjusted for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Furniture and equipment HK\$'000	Site equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST:					
As at 1 April 2018	1,608	1,818	43,391	17,065	63,882
Additions	–	13	534	1,600	2,147
Disposals	–	–	(217)	(3,070)	(3,287)
As at 31 March 2019	1,608	1,831	43,708	15,595	62,742
Adjustment upon application of HKFRS 16	–	–	–	(986)	(986)
As at 1 April 2019 (restated)	1,608	1,831	43,708	14,609	61,756
Additions	–	3	–	–	3
Disposals	–	–	–	(3,674)	(3,674)
As at 31 March 2020	1,608	1,834	43,708	10,935	58,085
ACCUMULATED DEPRECIATION:					
As at 1 April 2018	886	830	12,156	12,069	25,941
Charge for the year	79	145	4,160	1,777	6,161
Written back on disposals	–	–	(189)	(2,931)	(3,120)
At at 31 March 2019	965	975	16,127	10,915	28,982
Adjustment upon application of HKFRS 16	–	–	–	(115)	(115)
As at 1 April 2019 (restated)	965	975	16,127	10,800	28,867
Charge for the year	80	146	4,170	1,491	5,887
Impairment	–	–	4,362	228	4,590
Written back on disposals	–	–	–	(3,330)	(3,330)
As at 31 March 2020	1,045	1,121	24,659	9,189	36,014
CARRYING AMOUNT:					
As at 31 March 2020	563	713	19,049	1,746	22,071
As at 31 March 2019	643	856	27,581	4,680	33,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

In addition, the Group owns an industrial building where its office building. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned property is presented separately only if the payments made can be allocated reliably.

As at 31 March 2020 and 2019, the Group's land and building were located in Hong Kong under medium-term lease.

During the year ended 31 March 2019, an addition to a motor vehicle financed by new finance lease was approximately HK\$986,000 and the net book value of motor vehicle held under finance leases was approximately HK\$871,000 as at 31 March 2019.

Impairment assessment on property, plant and equipment

As the Group incurred gross loss during the year, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment with aggregate carrying amounts of site equipment and motor vehicle of HK\$19,049,000 and HK\$1,746,000 respectively, after taking into account the impairment losses of HK\$4,590,000 (2019: Nil). The Group estimates the recoverable amount of the cash generating unit (the "CGU") of provision of civil engineering works segment to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 17.5% as at 31 March 2020. The annual growth rate used is 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using 3% growth rate.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of HK\$4,590,000, has been recognised against the carrying amount of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. RIGHT-OF-USE ASSETS

	Office (note (i)) <i>HK\$'000</i>	Motor vehicle (note (ii)) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
As at 1 April 2019 (restated) and 31 March 2020	215	871	1,086
Accumulated depreciation			
As at 1 April 2019	–	–	–
Charge for the year	161	197	358
As at 31 March 2020	161	197	358
Carrying amount:			
As at 31 March 2020	54	674	728
Expense relating to short-term leases end within 12 months of the date of initial application of HKFRS 16			25,064
Total cash outflow for leases			25,514

Notes:

- (i) The Group leases an office for its operations. Lease contracts are entered into for fixed term of 2 years.
- (ii) The Group leases one motor vehicle for its operation. The motor vehicle leases for 4 years and pledged for the corresponding lease liability. Certain leases of motor vehicle was accounted for as obligation under finance leases during the year ended 31 March 2019 and carried interest is 4.30%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. INTERESTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and operation	Type of legal entity	Particulars of issued and paid up capital	Equity interest held by the Company	Principal activity
Super Pioneer Trading Limited ("Super Pioneer")	British Virgin Islands	Limited liability company	5 ordinary shares of US\$1 each	100%# (2019: 100%#)	Investment holding
Luen Hing Construction & Eng. Limited ("Luen Hing")	Hong Kong	Limited liability company	9,280,000 ordinary shares	100% (2019: 100%)	Provision of civil engineering works
Hop Fung Construction & Engineering Company Limited ("Hop Fung")	Hong Kong	Limited liability company	4,940,000 ordinary shares	100% (2019: 100%)	Provision of civil engineering works
Mullen Building Limited ("Mullen")	Hong Kong	Limited liability company	10,000 ordinary shares	100%# (2019: 100%#)	Provision of decoration and renovation works

The issued capital of Super Pioneer and Mullen were held by the Company directly.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

21. OTHER NON-CURRENT FINANCIAL ASSETS

	Note	2020 HK\$'000	2019 HK\$'000
Financial assets measured at FVTPL			
– Life insurance policy	(i)	–	3,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. OTHER NON-CURRENT FINANCIAL ASSETS (Continued)

In 2017, the Group entered into a life insurance policy with an insurance company to insure Mr. Wong Wing Wah (the "Insured"), a director of the Company. The total sum insured is US\$968,000 (equivalent to approximately HK\$7,522,000). The Group is the policy holder and the beneficiary of the policy. The Group has paid an one-off premium of US\$468,000 (equivalent to approximately HK\$3,636,000). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of termination. The cash value is determined by the premium payment plus accumulated interest earned minus the accumulated insurance policy charges and any full or partial surrender charge ("Cash Value").

The insurance premium is charged by the insurance company at 6% on one-off premium initially. In addition, a policy expense charge will be charged by the insurance company for the provision of the insurance benefits on the death of the insured at the range from 0.8512% to 29.7494% per annum throughout the policy.

In addition, if the termination and withdrawal of the policy are made between the 1st to 18th policy years, there is a specified amount of surrender charge. The surrender charge in full or partial termination would be calculated based on the number of years the policy has been in force and charged at the range from 1.3% to 11.92% of the one-off premium. The insurance company will pay the Group an interest on the outstanding Cash Value of the policy at the prevailing interest rate fixed by the insurance company and a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

During the year ended 31 March 2020, the life insurance policy was early terminated.

The investment in a life insurance policy is denominated in United States Dollars ("US\$") and the fair value is determined with reference to the Cash Value as provided by international well-known bank. Details of the fair value measurement of the Group's investment in a life insurance policy as at 31 March 2019 are disclosed in note 7.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	Note	2020 HK\$'000	2019 HK\$'000
Contract assets			
Retention receivables of construction contracts	(i)	45,439	54,272
Less: allowances on credit loss		(68)	(199)
		45,371	54,073
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"		115,328	33,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

Note:

- (i) As at 1 April 2018, contract assets amounted to approximately HK\$43,305,000.

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

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a twelve months retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The amount of contract assets that is expected to be recovered after more than one year is HK\$43,356,000 (2019: HK\$50,784,000), all of which relates to retentions.

Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. For retention receivables in respect of construction contracts, the due dates are usually 0.5-2 years after completion of the construction work.

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

Details of the impairment assessment are set out in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	Notes	2020 HK\$'000	2019 HK\$'000
Contract liabilities			
Construction contracts			
– Billings in advance of performance	(ii)	–	71

Note:

(ii) As at 1 April 2018, contract liabilities amounted to HK\$2,214,000.

The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified under current liabilities.

Movements in contract liabilities

	2020 HK\$'000	2019 HK\$'000
As at 1 April	71	2,214
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(71)	(2,214)
Increase in contract liabilities as a result of billing in advance of construction	–	71
As at 31 March	–	71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities (Continued)

Movements in contract liabilities (Continued)

During the year 31 March 2020, no billings in advance of performance and forward sales deposits and instalments received are expected to be recognised as revenue after more than one year (2019: HK\$71,000).

23. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contracts with customers	115,500	33,295
Loss: allowances on credit losses	(172)	(115)
	115,328	33,180
Receivables from a securities broker	5,045	13,971
Other receivables, deposits and prepayments	5,689	80,097
	126,062	127,248

As at 1 April 2018, trade receivables from contracts with customers amounted to approximately HK\$61,873,000.

The ageing analysis of trade receivables based on invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	77,510	20,028
31 – 60 days	245	10,779
61 – 90 days	8,714	899
Over 90 days	28,859	1,474
	115,328	33,180

The Group usually grants customers a credit period of 30-45 days (2019: 30-45 days). The Group did not hold any collateral as security or other credit enhancements over the trade and other receivables and no interest is charged on trade and other receivables.

The trade receivables with a carrying amount of approximately HK\$37,875,000 (2019: HK\$13,227,000) are past due at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Listed securities held for trading		
– Equity securities listed in Hong Kong	17,096	23,391

Details of the fair value measurement of the Group's investments in listed securities are disclosed in note 7.

25. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	3,819	21,278
Cash and cash equivalents presented in the consolidated statement of cash flows	3,819	21,278

Cash in banks earn interests at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. CASH AND CASH EQUIVALENTS (Continued)

(a) Reconciliation of liabilities arising from finance activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Amount due to a shareholder <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2019	132,888	138	–	133,026
Changes from financing cash flows:				
Repayment of capital element of finance leases	–	(233)	–	(233)
Interest paid	–	(18)	–	(18)
Other changes:				
New finance leases	–	986	–	986
Finance costs (Note 13)	–	18	–	18
As at 31 March 2019	132,888	891	–	133,779
Adjustments upon application of HKFRS 16	–	(891)	1,106	215
As at 1 April 2019 (restated)	132,888	–	1,106	133,994
Changes from financing cash flows:				
Interest paid	–	–	(42)	(42)
Repayment of lease liabilities	–	–	(408)	(408)
Other changes:				
Finance cost (Note 13)	–	–	42	42
As at 31 March 2020	132,888	–	698	133,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 <i>HK\$'000</i>
Trade payables	12,234	17,103
Retention monies payables (note (i))	11,007	11,008
Accruals and other payables (note (ii))	24,031	14,649
	47,272	42,760

Note:

- (i) Except for the amount of HK\$3,610,000 (2019: HK\$4,287,000), which was expected to be settled after one year, all of the remaining balances were expected to be settled within one year.
- (ii) As at 31 March 2020, included in the balance were mainly amount due to directors of certain subsidiary. The amount is unsecured, interest free and repayable on demand.

As at 31 March 2019, included in the balance was mainly accruals of operating expense.

The ageing analysis of trade payables based on invoice date is as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 – 30 days	8,553	13,627
31 – 60 days	3,481	2,147
61 – 90 days	–	195
Over 90 days	200	1,134
	12,234	17,103

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2019: 0 to 30 days).

27. AMOUNT DUE TO A SHAREHOLDER

The amount due is unsecured, interest-free and repayable on demand.

28. OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	2019 <i>HK\$'000</i>
Current	235
Non-current	656
	891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Total minimum lease payments 2019 <i>HK\$'000</i>	Present value of minimum lease payments 2019 <i>HK\$'000</i>
Minimum lease payment due:		
– Within one year	269	235
– More than one year but not more than two years	269	245
– More than two years but not more than five years	425	411
	963	891
Future finance charges	(72)	
Present value of finance lease liabilities	891	
Amounts due for settlement within one year (shown under current liabilities)		(235)
Amounts due for settlement after one year		656

29. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2020 HK\$'000
Current	287
Non-current	411
	698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. LEASE LIABILITIES (Continued)

	Minimum lease payments 2020	Present value of lease liabilities 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payment due:		
– Within one year	311	287
– more than one year but not more than two years	269	256
– more than two years but not more than five years	157	155
	<u>737</u>	<u>698</u>
Future finance charges	(39)	
	<u>698</u>	
Present value of lease liabilities		<u>698</u>
Amounts due for settlement within one year (shown under current liabilities)		<u>(287)</u>
Amounts due for settlement after one year		<u>411</u>

30. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2018	4,443	(7)	4,436
Credit to the profit or loss (note 14)	(524)	–	(524)
As at 31 March 2019 and 1 April 2019	3,919	(7)	3,912
Credit to the profit or loss (note 14)	(1,471)	–	(1,471)
As at 31 March 2020	<u>2,448</u>	<u>(7)</u>	<u>2,441</u>

No deferred tax asset has been recognised for both years in respect of tax losses approximately of HK\$59,018,000 (2019: HK\$23,527,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. SHARE CAPITAL

	<i>Notes</i>	Number of shares <i>'000</i>	Nominal value of shares <i>HK\$'000</i>
Authorised:			
Share capital of HK\$0.01 each			
As at 1 April 2018, 31 March 2018 and 1 April 2019		2,000,000	20,000
Share consolidation	<i>(a)</i>	(1,500,000)	–
Increase on 16 March 2020	<i>(a)</i>	<u>1,500,000</u>	<u>60,000</u>
Share capital of HK\$0.04 each			
As at 31 March 2020		<u>2,000,000</u>	<u>80,000</u>
Issued and fully paid:			
Share capital of HK\$0.01 each:			
As at 1 April 2018, 31 March 2018 and 1 April 2019		1,248,000	12,480
Share consolidation	<i>(a)</i>	<u>(936,000)</u>	<u>–</u>
Share capital of HK\$0.04 each			
As at 31 March 2020		<u>312,000</u>	<u>12,480</u>

Note:

- (a) On 16 March 2020, the Company passed an ordinary resolution for share consolidation, the consolidation of every four issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.04 each became effective on 18 March 2020 and increase the authorised share capital by creation of additional 1,500,000,000 consolidated shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 24 March 2016 for the primary purpose of providing incentives to directors of the Company, eligible employees and consultants, and will expire on 10 July 2024. Under the Scheme, the board of directors of the Company may grant options to consultants and employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

As at 31 March 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,248,000,000 (2019: no share options have been granted and outstanding), representing 4.00% (2019: nil) of the share of the Company in issue at that date.

Details of the share options granted during the year ended 31 March 2020 are as follows:

Date of grant	Vesting date	Exercise period	Exercise price	Closing price of the share immediately before the date of grant
11 July 2019	11 July 2019	5 year from the date of grant	HK\$0.404	HK\$0.404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

	Date of grant	Exercise price per option	Exercise period	Balance as at 1 April 2019	Granted during the year	Exercised/ lapsed during the year	Balance as at 31 March 2020
Directors							
So Kwok Hung	11 July 2019	HK\$0.404	5 years from the date of grant	–	3,120,000	–	3,120,000
Yu Xiao	11 July 2019	HK\$0.404	5 years from the date of grant	–	3,120,000	–	3,120,000
Other employees							
	11 July 2019	HK\$0.404	5 years from the date of grant	–	15,600,000	–	15,600,000
Consultants							
	11 July 2019	HK\$0.404	5 years from the date of grant	–	9,360,000	–	9,360,000
Total				–	31,200,000	–	31,200,000
Exercisable at the end of the year							31,200,000
				HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				–	0.404	–	0.404

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.404 (2019: nil) and the weighted average share price at the dates immediately before the exercise in HK\$0.404 (2019: nil).

The fair value was calculated using the binomial model. The inputs into the model were as follows:

Weighted average share price
 Exercise price
 Expected volatility
 Expected life
 Risk-free rate
 Expected dividend yield

2020

HK\$0.404
HK\$0.404
62.011%
5 years
1.449%
0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

Expected volatility was determined by using the historical volatility of other companies' share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK\$4,329,000 for the year ended 31 March 2020 (2019: nil) in relation to share option granted by the Company.

33. RESERVES

The amounts of the Group's reserves and the movements during the year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Share-based payments reserve

Share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options parted in accordance with Note 32.

Other reserve

Other reserve represents the reserve arising from the loan capitalisation of Luen Hing and Hop Fung on 21 March 2016.

Capital reserve

Capital reserve represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	32,828	32,828
Current assets		
Prepayments and other receivables	5,182	14,091
Amounts due from subsidiaries	98,801	80,944
Financial assets at FVTPL	17,096	23,391
Bank balances	1,964	14,858
	123,043	133,284
Current liabilities		
Accruals	871	672
Amount due to a shareholder	132,900	132,900
	133,771	133,572
Net current liabilities	(10,728)	(288)
Net assets	22,100	32,540
CAPITAL AND RESERVES		
Share capital	12,480	12,480
Reserves (note)	9,620	20,060
Total equity	22,100	32,540

Approved and authorised for issue by the board of directors on 26 June 2020.

So Kwok Hung
Director

Yu Xiao
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movements of the Company's reserves are as follows:

	Share capital <i>HK\$'000</i> (note 31)	Share premium <i>HK\$'000</i> (note 33)	Share-based payments reserve <i>HK\$'000</i> (note 33)	Accumulated losses <i>HK\$'000</i>	(Capital deficiency)/ Total equity <i>HK\$'000</i>
As at 1 April 2018	12,480	36,672	–	(21,773)	27,379
Profit and total comprehensive expense for the year	–	–	–	5,161	5,161
As at 31 March 2019 and 1 April 2019	12,480	36,672	–	(16,612)	32,540
Loss and total comprehensive expense for the year	–	–	–	(14,769)	(14,769)
Recognition of equity-settled share-based payment	–	–	4,329	–	4,329
As at 31 March 2020	<u>12,480</u>	<u>36,672</u>	<u>4,329</u>	<u>(31,381)</u>	<u>22,100</u>

35. OPERATING LEASE COMMITMENTS

As lessee

As at the reporting date, the total future minimum lease payments under non-cancellable operating leases in respect of leased premises and office equipment were as follows:

	2019 <i>HK\$'000</i>
Within one year	641
In the second to fifth years	<u>56</u>
	<u>697</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

The emoluments of the key management personnel during the current and prior years are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term employee benefits	702	6,282
Post-employment benefits	–	66
Equity-settled share-based payment	1,214	–
	1,916	6,348

37. CONTINGENT LIABILITIES

The Group is the defendant of certain outstanding litigation cases in respect of alleged violations of certain safety and health regulations and accidents and the court has not yet made the judgement up to the date of this report. Having taking into of the information available and the latest development of these cases, the directors are of the opinion that it is not possible to determine the outcome and hence no provision has been made to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
CONSOLIDATED RESULTS					
Revenue	315,004	735,330	708,595	432,842	354,884
Profit/(loss) before taxation	12,061	37,976	(2,673)	(6,568)	(56,388)
Income tax expense	(3,670)	(7,427)	(219)	520	821
Profit/(loss) for the year	<u>8,391</u>	<u>30,549</u>	<u>(2,892)</u>	<u>(6,048)</u>	<u>(55,567)</u>
Total comprehensive income/(expense) for the year attributable to owners of the Company	<u>8,391</u>	<u>30,114</u>	<u>(2,883)</u>	<u>(6,048)</u>	<u>(55,567)</u>
	As at 31 March				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	111,364	210,928	348,315	262,981	215,147
Total liabilities	<u>(84,269)</u>	<u>(104,567)</u>	<u>(244,837)</u>	<u>(180,522)</u>	<u>(183,926)</u>
Net assets	<u>27,095</u>	<u>106,361</u>	<u>103,478</u>	<u>82,459</u>	<u>31,221</u>