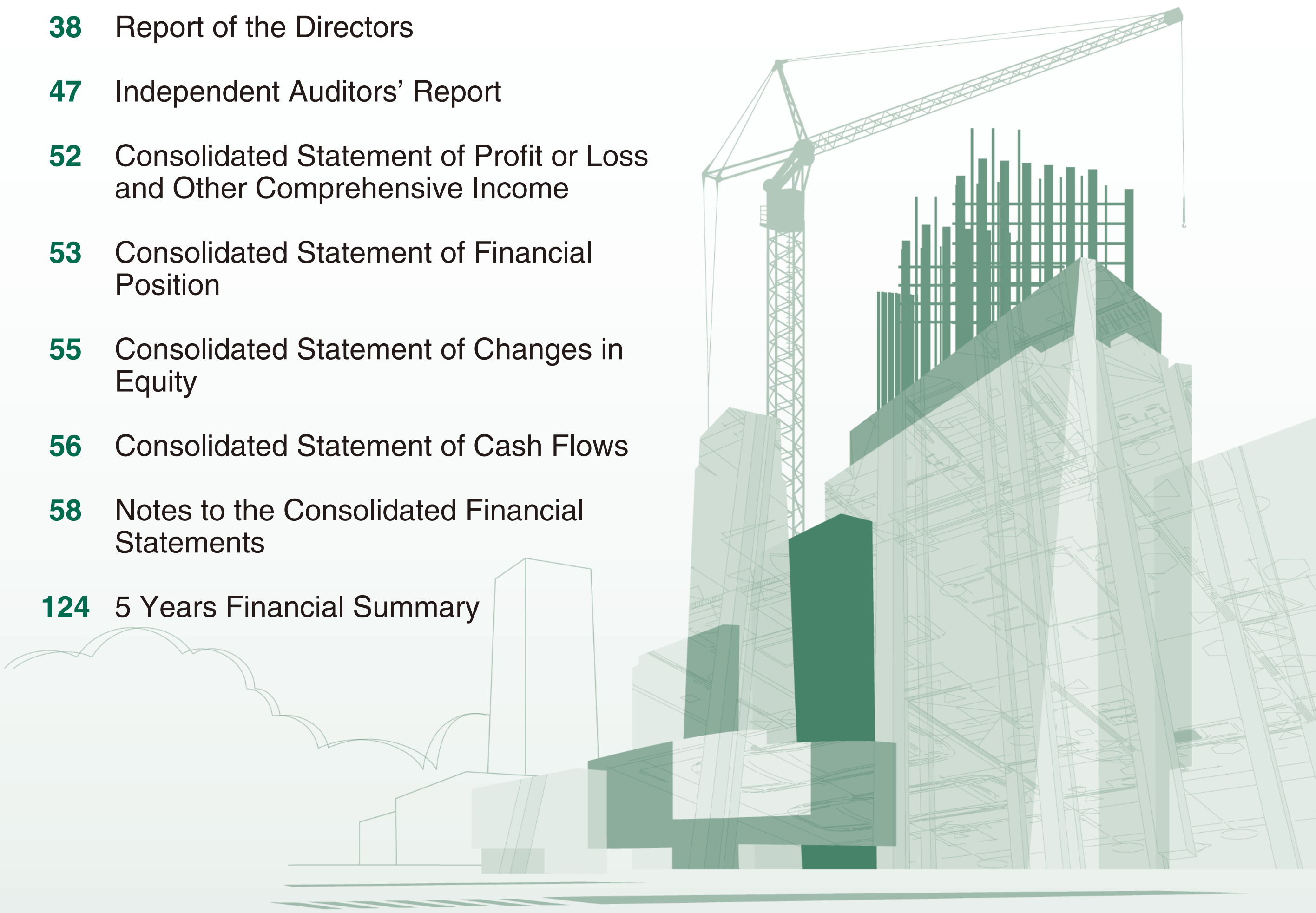
KIN SHING HOLDINGS LIMITED
建成控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1630

2019
ANNUAL REPORT

CONTENTS



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief Executive Officer)
Mr. Chan Sik Mau
Mr. Xiong Wei (appointed on 5 July 2018 and resigned on 10 October 2018)

Independent Non-Executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

AUDIT COMMITTEE

Mr. Lam Kai Yeung (Chairman)
Mr. Chang Chun Pong
Mr. Tsui Leung Cho

REMUNERATION COMMITTEE

Mr. Chang Chun Pong (Chairman)
Mr. Leung Chi Kit
Ms. Tso Yuk Ching
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

NOMINATION COMMITTEE

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

COMPANY SECRETARY

Mr. Chow Kit Ting (resigned on 20 August 2018)
Ms. Tsui Wai Ting, Rosalie (appointed on 20 August 2018)

AUTHORISED REPRESENTATIVES

Mr. Leung Chi Kit
Mr. Chow Kit Ting (resigned on 20 August 2018)
Mr. Chow Dik Cheung (appointed on 20 August 2018)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit D, 9/F
Billion Plaza 2
10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

TC & Co., Solicitors, Hong Kong

COMPLIANCE ADVISOR

Dakin Capital Limited

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKER

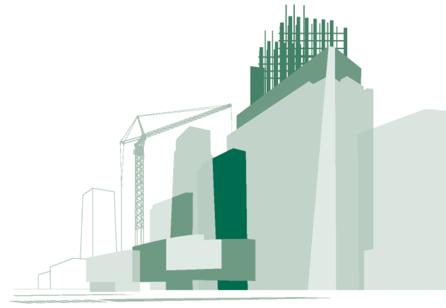
The Bank of East Asia, Limited
DBS Bank (HK) Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1630

WEBSITE

http://www.kinshingholdings.com.hk



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kin Shing Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am glad to present the annual report of the Group for the year ended 31 March 2019.

REVIEW

The total revenue of our Group increased by approximately HK$273.7 million or 47.4% from approximately HK$576.9 million for the year ended 31 March 2018 to approximately HK$850.6 million for the year ended 31 March 2019. Our Group's loss attributable to owners of the Company increased by approximately HK$46.6 million or 170.8% to approximately HK$19.3 million compared to profit attributable to owners of the Company of approximately HK$27.3 million for the year ended 31 March 2018. It was a tough year for the formwork works industry for the year ended 31 March 2019 due to both external factors and internal factors. The external factors include the keen competition in the formwork works market from infrastructure formwork market players after the substantial completion of major infrastructure formwork works in Hong Kong. The internal factors include but not limited to (i) increase in other loss due to loss on disposals of financial assets at fair value through profit or loss and (ii) the direct staff costs and subcontracting costs have increased substantially due to the unexpected delay in certain formwork works projects and the unexpected changes in project arrangements.

PROSPECT

Looking forward, it is foreseeable that the intensified market competition, challenges and uncertainties in the costs of staff, materials and subcontracting fees will continue to plague the formwork works industry. In response to the dynamic business environment and to overcome these unfavorable factors, the Group will continue to diversify the scope in different types of construction projects and the customer base to minimise the market risk. During the year ended 31 March 2019, there were 49 projects which contributed a total revenue of approximately HK$850.6 million. 13 of these projects commenced works during the year ended 31 March 2019 whereas there were 51 projects which contributed a total revenue of approximately HK$576.9 million for the corresponding period in 2018.

APPRECIATION

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

Leung Chi Kit
Chairman
Hong Kong, 26 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 March 2019 amounted to approximately HK$850,565,000 (2018: approximately HK$576,856,000).

– Loss attributable to the equity shareholders of the Company for the year ended 31 March 2019 amounted to approximately HK$19,319,000 (2018: Profit attributable to the equity shareholders of the Company approximately HK$27,280,000).

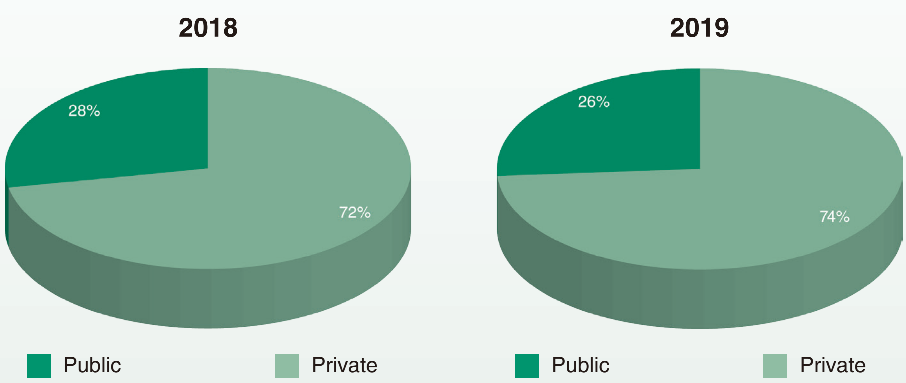
– Basic loss per share for the year ended 31 March 2019 amounted to approximately 1.29 HK cents (2018: Basic earnings per share approximately 1.89 HK cents).

BUSINESS REVIEW

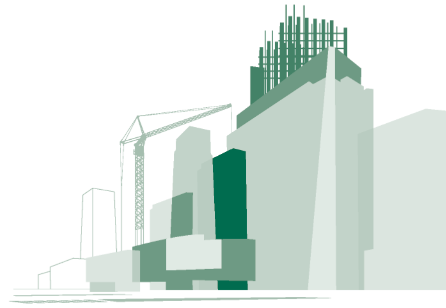
The Group is principally engaged in the provision of formwork works with an insignificant portion from building construction works (including concrete works and finishes works). Based on the materials used in the formwork works, we categorise our formwork works into (i) traditional timber formwork by using timber and plywood; and (ii) metal formwork system by using aluminium and metals. Since the listing of the Company on 16 June 2017 (the "**Listing**"), there has been no significant change in the business operations of the Group.

During the year ended 31 March 2019, formwork works contributed for the group's total revenue was approximately HK$850,565,000 (2018: approximately HK$576,856,000).

The Group predominately engaged in erecting formworks for construction works in private residential and commercial buildings during the year ended 31 March 2019. In recent years, in order to diversify the scope in different kinds of construction projects, the Group had also engaged in formwork works for construction works in public housing. As such, the construction projects undertaken by us include both public-sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects (including projects where the ultimate employer(s) are property developer(s) and land owner(s)). During the year ended 31 March 2019, the revenue generated from private sector projects accounted for approximately HK$633,149,000 (2018: approximately HK$417,729,000), representing approximately 74.4% (2018: approximately 72.4%), of the total revenue of the Group, and approximately HK$217,416,000 (2018: approximately HK$159,127,000), representing approximately 25.6% (2018: approximately 27.6%), of the total revenue of the Group were generated from public sector projects undertaken by us.

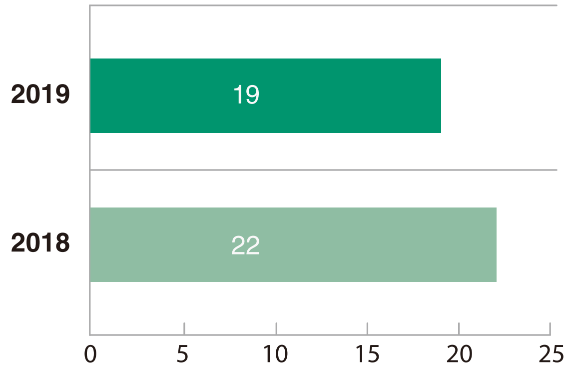


Percentage of formwork works project in public and private sector for the year ended



BUSINESS REVIEW *(Continued)*

During the year ended 31 March 2019, there were 19 customers who contributed a total revenue of approximately HK$850.6 million, whereas there were 22 customers who contributed a total revenue of approximately HK$576.9 million for the corresponding period in 2018.



Number of customers of revenue contributed for the year ended

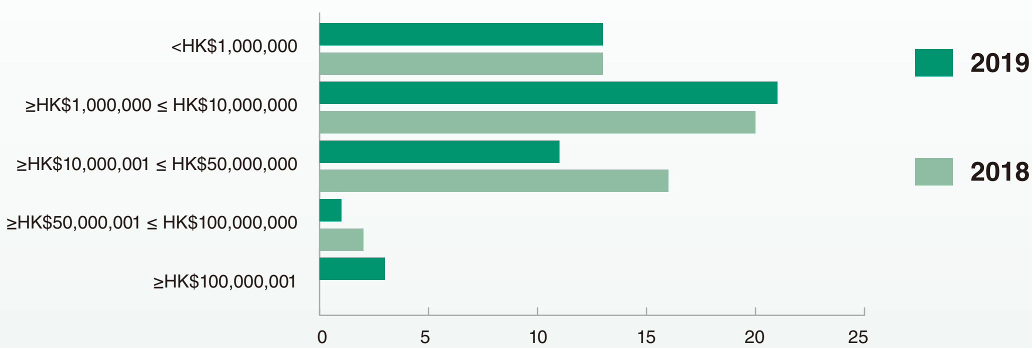
FINANCIAL REVIEW

Revenue

The business of the Group primarily focused in the Hong Kong market during the year ended 31 March 2019.

During the year ended 31 March 2019, there were 49 projects contributing revenue of approximately HK$850,565,000, whereas revenue for the corresponding period of 2018 of approximately HK$576,856,000 was contributed by 51 projects. The increase of revenue in 2019 was mainly due to five sizable formwork projects (total latest contract amount of approximately HK$562.6 million and were being awarded to the Group during the period from January 2018 to April 2018) are at initial stage of the construction cycle, hence the revenue generated for the year ended 31 March 2019 is maximal. Set out below is a breakdown of the Group's projects based on their respective revenue recognised during the year ended 31 March 2019 and 2018.

	2019 No. of projects	2018 No. of projects
Revenue recognised		
HK$100,000,001 or above	**3**	–
HK$50,000,001 to HK$100,000,000	**1**	2
HK$10,000,001 to HK$50,000,000	**11**	16
HK$1,000,000 to HK$10,000,000	**21**	20
Below HK$1,000,000	**13**	13
	49	51



Number of projects which revenue has been recognised for the year end

FINANCIAL REVIEW *(Continued)*

Gross Profit and Gross Profit Margin

During the year ended 31 March 2019, the Group's gross profit decreased by approximately HK$15,626,000 or approximately 24.7% from approximately HK$63,311,000 for the year ended 31 March 2018 to approximately HK$47,685,000 for the year ended 31 March 2019. The decrease in gross profit was mainly resulted from keen competition for newly awarded formwork works contracts in the market and the substantial increase in direct labour cost and rates charged by the subcontractors.

The Group's gross profit margin decreased from approximately 11.0% for the year ended 31 March 2018 to approximately 5.6% for the year ended 31 March 2019. The decrease in the gross profit margin was mainly resulted from the increase of direct staff cost and subcontracting fees in several projects due to unexpected delay in the commencement of certain formwork works projects which prolonged the duration of the construction programmes, the additional costs caused by the unexpected changes to on-site arrangements and the decrease in the gross profit margin of newly awarded formwork works projects.

Other income

Other income increased by approximately HK$1,445,000 from approximately HK$959,000 for the year ended 31 March 2018 to approximately HK$2,404,000 for the year ended 31 March 2019, representing an increase of approximately 150.7%. Such increase was mainly attributable to the increase in rental income.

Other losses/gains

Other gains decreased by approximately HK$36,584,000 from other gains approximately HK$13,000 for the year ended 31 March 2018 to other losses approximately HK$36,571,000 for the year ended 31 March 2019. Increase in other losses was mainly attributable to the loss on disposals of financial assets at fair value through profit or loss during the year ended 31 March 2019.

Administrative expenses

Administrative expenses decreased from approximately HK$30,645,000 for the year ended 31 March 2018 to approximately HK$23,955,000 for the year ended 31 March 2019, representing a decrease of approximately 21.8%. Such decrease was mainly attributable to the decrease in professional fess and entertainment expenses subsequent to the listing of the Company's ordinary shares on the Main Board. Staff costs of approximately HK$14,957,000 were recorded for the year ended 31 March 2019 compared to approximately HK$16,077,000 for the year ended 31 March 2018.

Finance costs

Finance costs increased from approximately HK$973,000 for the year ended 31 March 2018 to approximately HK$2,812,000 for the year ended 31 March 2019, representing an increase of approximately 189.0%. Such increase was mainly attributable to the increase in interest expense on a loan from a related company during the year ended 31 March 2019.

Income tax

Income tax expenses increased to approximately HK$6,070,000 for the year ended 31 March 2019 compared to approximately HK$5,380,000 for the year ended 31 March 2018. Such increase was mainly due to the increase in non-deductible expenses during the year ended 31 March 2019.

FINANCIAL REVIEW *(Continued)*

Loss attributable to the equity shareholders of the Company

As a result of the foregoing, the loss attributable to the equity shareholders of the Company amounted to approximately HK$19,319,000 for the year ended 31 March 2019 as compared to profit attributable to the equity shareholders of the Company approximately HK$27,280,000 for the year ended 31 March 2018.

The Board is of the view that the loss attributable to the equity shareholders of the Company is primarily due to the aggregate effect: (a) of increase in other loss due to the loss on disposals of financial assets at fair value through profit or loss for the year ended 31 March 2019; (b) increase in direct costs as a result of an increase in the direct staff costs and subcontracting costs due to the unexpected delay in the commencement of certain formwork works projects which prolonged the duration of the construction programmes and the additional costs caused by the unexpected changes to the on-site arrangements; (c) a decrease in the gross profit margin of newly awarded formwork works projects as a result of the keen competition for new formwork works contracts in the market; and (d) increase in the finance cost due to the increase in interest expenses on a loan from a related company during the year ended 31 March 2019.

When excluding the other loss due to the loss on disposals of financial assets at fair value through profit or loss during the year ended 31 March 2019, the loss attributable to the equity shareholders of the Company would have decreased by approximately HK$36.6 million.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 31 March 2019, the Group had cash and cash equivalents of approximately HK$181,688,000 as compared with approximately HK$92,438,000 as at 31 March 2018. The significant increase was mainly due to the receipt of approximately HK$165.0 million from a related company.

The Group did not have any bank borrowings as at 31 March 2019 (2018: approximately HK$41,712,000). The gearing ratio is calculated based on the amount of the total debts, which include, bank borrowings, amount due to a director, amount due to a related company and amount due to a joint venture, divided by the total equity. The gearing ratio of the Group as at 31 March 2019 is approximately 95.5% (2018: approximately 20.4%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board of Directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

As at 31 March 2019, the Group did not pledge its assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 March 2019, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital commitments

As at 31 March 2019, the Group had no material off-balance sheet capital commitments.

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2019.

CORPORATE FINANCE AND RISK MANAGEMENT *(Continued)*

Principal risk and uncertainty

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of construction projects. The Group's key risk exposures are summarised as follows:

1. The Group derives its revenue mainly from projects which are non-recurrent in nature, and there is no guarantee that the customers will provide us with new business or that we can secure new contracts.

2. The Group determines the contract price based on the estimated time and costs involved in the project. Inaccurate estimation or ineffective cost management may adversely affect the Group's financial results.

3. Any significant increase in construction material costs and/or the occurrence of any substandard construction materials may have adverse impacts on the financial results of the Group.

4. Construction litigation and disputes may adversely affect the Group's performance.

5. The Group's liquidity position may be adversely affected if the progress payment or the retention money is not paid or released to the Group on time or in full or the construction project cash flows are fluctuated.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus dated 31 May 2017 published by the Company.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to sustainable development of the Group. The Group recognises the importance of maintaining good relationships with employees, business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group keeps good communications and shares business updates with them when appropriate.

The Group has provided its major customers formwork works for many years. Main contractors tend to select their subcontractors based on reputation, proven high-quality work and on-time project completion track records. Moreover, maintaining good customer relationships provides more opportunities and higher chances to (i) be invited for and (ii) win tenders. The Group considers that the long-term relationship with some of the major customers reinforces the Group as one of the preferred subcontractors to their projects. In particular, some of the customers with long-term relationship are wholly-owned subsidiaries of public companies listed on the Main Board and are long-established property developers or contractors in Hong Kong. The Directors believe that satisfactory completion of previous works on a timely basis enables us to maintain a continuous business relationship with these customers.

On the other hand, the Group keeps a pre-approved list of suppliers and a list of pre-approved subcontractors. These subcontractors possess the relevant qualifications and/or relevant experience, and certain subcontractors and suppliers have been our subcontractors and suppliers for many years. The Directors believe that the Group's stable relationship with the subcontractors and/or suppliers facilitates (i) a smooth delivery of good quality materials and/or services to the Group; (ii) a favourable bargaining position for purchase of materials with relatively stable price and terms; and (iii) the availability of supplies throughout the entire project period, which is crucial to the Group's day-to-day operations and future business development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed 1,204 employees in Hong Kong (2018: 1,089 employees). Remuneration packages are reviewed based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. In addition to salary payments and discretionary bonuses, the Group also provides the eligible staff other employment benefits, provident fund and educational subsidies. The total remuneration cost incurred by the Group for the year ended 31 March 2019 was approximately HK$418,523,000 compared to approximately HK$314,391,000 for the year ended 31 March 2018.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 16 June 2017 (the "**Listing**"). The net proceeds (after deducting the underwriting fees, commissions and all related expenses) from the Listing amounted to approximately HK$75.0 million. After the Listing, these net proceeds have been and will be utilised in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 31 May 2017.

Details of the utilisation of the net proceeds raised by the Company from the date of Listing up to 31 March 2019 are stated below:

	Planned use of net proceeds HK$ million	Amount utilised up to 31 March 2019 HK$ million	Unutilised balance up to 31 March 2019 HK$ million
Acquire additional machineries and equipment	32.8	21.7	11.1
Purchase aluminium formwork systems	21.3	–	21.3
Invest in human resources	9.6	5.6	4.0
Additional rental expense for leasing of a warehouse	4.3	1.2	3.1
General working capital	7.0	7.0	–
Total	75.0	35.5	39.5

The unused amount of the net proceeds of approximately HK$39.5 million has been deposited into licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers that a stringent quality assurance system and strong commitment to work's quality, safety, occupational health and environmental management are crucial in delivering quality works to the customers on a timely basis. Therefore, the Group has implemented a stringent management system to regulate the work's quality, safety and environmental management standards, which comply with international standards. During the year 31 March 2019, the Group has satisfied the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 accreditation for the quality management system, environmental management system and occupational safety and health management system respectively.

During the year ended 31 March 2019, there is no material breach of or non-compliance with applicable laws and regulations by the Group in respect of environmental issues that have significant impact on the business and operations of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2019, the Group was fined for a total sum of HK$37,000 in respect of one summons for violation of certain regulations under the Construction Sites (Safety) Regulations and Factories and Industrial Undertakings (Safety Management) Regulations.

The Directors consider that these violations are independent and isolated incidents. During the year ended 31 March 2019, save as disclosed above or otherwise in this annual report, the Group has complied with all applicable laws and regulations in Hong Kong in all material aspects for the business operation of the Group. During the year ended 31 March 2019, the Group has also obtained all the licenses, permits or certificates which are necessary to conduct its business operation in Hong Kong.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Leung Chi Kit (梁志杰), aged 59, is the spouse of Ms. Tso Yuk Ching and is one of the founders of our Group. He is an Executive Director and the Chairman of the Board. Mr. Leung attained his secondary school education in 1973 in the PRC. Mr. Leung has over 31 years of experience in formwork works and related construction works in Hong Kong. Mr. Leung is primarily responsible for formulation of overall business development strategy, overall management and administration and major business decisions of our Group. Prior to establishing our Group in March 1994, Mr. Leung worked in several construction companies in Hong Kong and was responsible for formwork works and related construction works. Leveraging on his experience gained in the industry, he started to venture his own business as a construction contractor in 1981.

Mr. Leung obtained fellowship award from Social Enterprise Research Academy in May 2018. He has been appointed as the Vice President of Hong Kong China Chamber of Commerce since 30 August 2018. On 6 January 2019, Mr. Leung obtained top ten Outstanding Chinese Business Enterprise Elite Awards from Hong Kong China Chamber of Commerce.

Ms. Tso Yuk Ching (曹玉清), aged 59, is the spouse of Mr. Leung Chi Kit. She is an Executive Director of our Company, the sole director of Kin Wo Form Mould Engineering Limited ("**Kin Wo**") and has been the general manager (administration) of Leung Pui Form Mould & Engineering Co. Limited ("**Leung Pui**") since March 2016. Prior to joining the Company, Mrs. Leung has over eight years of experience in business management while she acted as the director in Kin Wo. She has been involved in assisting Mr. Leung in the management of Leung Pui since its incorporation. Starting from June 2009, she contributed further in the management of Leung Pui by advising on its administrative matters, her duties include overseeing human resources matters, as well as co-ordinating among different departments to ensure sufficiency of office support for the operation of Leung Pui.

Mr. Chow Dik Cheung (周迪將), aged 43, is the nephew of Mr. Chow Siu Yu, one of the controlling of shareholders of the Company and is an Executive Director and Chief Executive Officer of our Company. He has over 16 years of experience in the engineering and construction industry. Mr. Chow Dik Cheung is responsible for making major operation decisions for the Department of Commerce, Department of Safety and Department of Project Management. Mr. Chow Dik Cheung obtained his Bachelor's Degree of Engineering in Mechatronic Engineering from the City University of Hong Kong in November 1999. He obtained a certificate in a Construction Safety Supervisor Course from the Construction Industry Training Authority in October 2001. Mr. Chow Dik Cheung obtained his Bachelor's Degree of Engineering in Building Engineering (Construction Engineering and Management) from the City University of Hong Kong in November 2008. He further obtained a Professional Diploma in Occupational Safety & Health from the School of Continuing Education Hong Kong Baptist University in September 2011. Mr. Chow Dik Cheung joined our Group in May 2000 as a quantity surveyor.

Mr. Chan Sik Mau (陳錫茂), aged 64, is an Executive Director of our Company. He has over 31 years of experience in formwork works and construction work in Hong Kong. He has been working with Mr. Leung since 1996 and assisted Mr. Leung since the incorporation of our Group. Starting from January 2004, he was employed by Leung Pui as a site agent. Based on his experience and understanding of our Group, he has been assigned to manage several major construction sites and provide advice and execute the business strategy of our Group.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Chang Chun Pong (張振邦), aged 50, was appointed as an Independent Non-executive Director of our Company on 23 May 2017. Mr. Chang obtained his Bachelor's Degree in Laws from The University of Hong Kong in 1990. He obtained a Postgraduate Certificate in Laws from The University of Hong Kong in 1991. He was admitted as a solicitor of Hong Kong in February 1994. Mr. Chang has over 25 years of experience in legal practice. He was an assistant solicitor of Y.L. Yeung & Co., Solicitors from March 1994 to August 1995. Mr. Chang was a partner of Kong & Chang, Solicitors, from March 2003 to March 2017. He then joined Au Yeung, Lo & Chung as a consultant since March 2017.

Mr. Tsui Leung Cho (徐良佐), aged 91, was appointed as an Independent Non-executive Director of our Company on 23 May 2017. He obtained his Bachelor's Degree of Science in Civil Engineering from the Ling Nam University, the PRC in July 1951. Mr. Tsui obtained a Master's Degree in Advanced Structural Engineering from the University of Southampton, England in March 1973. He obtained a Master's Degree of Engineering in Geological Engineering from the University of Toronto, Canada in March 1983. Mr. Tsui was a member of the Institution of Structural Engineers of England in December 1964, a fellow member of the same Institution in June 1975; a member of the Institution of Engineers Australia in February 1976 and a member of the Association of Professional Engineers of the Province of Ontario, Canada in November 1978, a Registered Structural Engineer in Hong Kong since 1978 and a Professional Engineer in California, United States of America since 1984.

Mr. Tsui has over 51 years of experience in structural engineering. He was a lecturer of the Civil Engineering Department in various universities in the PRC from August 1951 to December 1961; an engineer of Eric Cumine & Partners in Hong Kong from January 1962 to February 1963; a structural engineer of The Building Ordinance Office in Hong Kong from March 1963 to April 1967; a senior structural engineer of The Architectural Office, Public Works Department in Hong Kong from April 1967 to March 1978; a chief engineer of Omen Lee & Associates, Ontario, Canada from August 1978 to August 1980; a senior engineer of Reed Inc., Toronto, Canada from August 1980 to September 1983; a construction manager of Technic Construction Co. in Hong Kong from September 1983 to September 1988. He has been the president and the registered structural engineer of George Tsui & Associates, an associate of T.Y. Lin (H.K.) and an external professor of Wu Han University, the PRC, since September 1993.

Mr. Lam Kai Yeung (林繼陽), aged 49, was appointed as an Independent Non-executive Director of our Company on 23 May 2017. Mr. Lam is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and Certified Dealmaker in China. Mr. Lam obtained a Bachelor's Degree of Accounting from the Xiamen University in July 1990 and a Master's Degree in Business Administration from the Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("**SFO**").

Mr. Lam is an executive director and the chief executive officer of Hang Pin Living Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1682). Mr. Lam has been an independent non-executive director of Starrise Media Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1616) since June 2012; director of Sunway International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 58) from May 2015 to June 2019; an independent non-executive director of Finsoft Financial Investment Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8018) since June 2015; an independent non-executive director of Holly Futures (a company listed on Main Board of the Stock Exchange, stock code: 3678) since June 2015; an independent non-executive director of Shi Shi Services Limited (a company listed on the GEM of the Stock Exchange, stock code: 8181) since October 2015; and an independent non-executive director of Kin Shing Holdings Limited since May 2017.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Ms. Cheng Wai Man (鄭惠文), aged 46, is the Head of Administration of our Group. She has over 21 years of experience in accounting and secretarial work. Ms. Cheng obtained a certificate in Book-keeping – First Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom in 1999. She obtained a General Course Certificate (Commercial Stream) from the Hong Kong Institute of Vocational Education in September 1999. She obtained a Certificate in Book-keeping and Accounts – Second Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom in 2000. Ms. Cheng obtained a Certificate in Accountancy from the Hong Kong Institute of Vocational Education in July 2001.

Prior to joining our Group in June 1999, Ms. Cheng was a shipping clerk of Halldonn Company Limited from December 1991 to January 1993. She then worked for Gulog Design Company as an account clerk and computer sided drafting (CAD) draftsman till November 1995. She was a secretary of Accurate Contractors & Renovators Co., Ltd. from March 1996 to July 1998.

Mr. Chow Kit Ting (周傑霆), aged 34, is the Financial Controller and Company Secretary of our Group. He has over ten years of experience in accounting, corporate finance, compliance and company secretarial works. Mr. Chow obtained his Bachelor's Degree of Commerce with a major in Accountancy from the Macquarie University in November 2007. He was a member of Certified Public Accountants (CPA) Australia in September 2011 and a member of Hong Kong Institute of Certified Public Accountants since May 2015. Prior to joining our Group in February 2016, Mr. Chow worked for Deloitte Touche Tohmatsu from September 2007 to March 2015 and last held the position of manager. Mr. Chow was the financial controller and company secretary of Link Holdings Limited (stock code: 8237) from March 2015 to January 2016. On 20 August 2018, Mr. Chow resigned as the financial controller and Company Secretary of the Group.

Ms. Tsui Wai Ting Rosalie (徐煒婷), aged 29, has been appointed as the Company Secretary of the Company since 20 August 2018. She has over 7 years of experiences in accounting, auditing, taxation, financial management, compliance and company secretarial works. Ms. Tsui obtained her Bachelor's Degree of Accounting from Hong Kong Baptist University in November 2011. She was a member of Hong Kong Institute of Certified Public Accountants since May 2017. Prior to joining our Group, she worked as a senior audit accountant in Lau & Au Yeung C.P.A. from April 2016 to February 2018. She started to assist the financial controller of our Group since March 2018.

Ms. Wong Wing Sze (黃詠詩), aged 40, is the Head of Purchasing of our Group. She has over 16 years of experience in office administration work. Ms. Wong obtained a Certificate in London Chamber of Commerce & Industry Elementary English Book-keeping from the Spare-Time Study Centre of The Hong Kong Federation of Trade Unions Workers' Club in February 2001. She enrolled for a programme in English Communication Skills for the Office in the School of Continuing & Professional Studies offered by the Chinese University of Hong Kong in July 2008. Prior to joining our Group in March 2001, she was a marketing assistant of AV Engineering Company from November 1995 to August 1998. She was a clerk of Team Endurance (HK) Ltd. from March 1999 to June 1999. Ms. Wong was an administration clerk of E&P Holdings Limited from March 2000 to December 2000.

Mr. Chow Si Ka (周仕家), aged 67, is the Commercial Manager of our Group. He has over 40 years of experience in construction engineering. Mr. Chow obtained a Higher Certificate in Construction Engineering from The Morrison Hill Technical Institute in July 1975.

Prior to joining our Group in April 2003, Mr. Chow was a contract manager of Tang Tak Son Construction Co., Ltd. from May 1977 to August 1982. He was a chief site quantity surveyor in various projects of Technic Construction Co Ltd from July 1982 to March 1987. He worked for Fong Wing Shing Construction Co., Ltd. from July 1988 to November 2001 as contracts manager and project manager and his last position was chief estimator.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interest of its shareholders and to place importance on its corporate governance system so as to formulate the business strategies and policies, and manage the associated risk through effective internal control and risk management procedures. It will also ensure greater transparency, accountability and protection of shareholders' interests.

This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 March 2019, with specific reference to the principles and guidelines of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") issued by the Stock Exchange. In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

Since the Date of Listing and up to the date of this report, in the opinion of the Directors, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions (the "**Securities Dealing Code**") by the Directors and employees who, because of his office or employment in the Group, is likely to possess inside information of the Company.

All the Directors confirmed, upon specific enquiry made, that they have complied with the Model Code and the Securities Dealing Code since the Listing and up to the date of this report. In addition, the Company is not aware of any incident of non-compliance of the Securities Dealing Code by the relevant employees since the Listing and up to the date of this report.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders. The Board has established three Board committees (the "**Board Committees**"), being the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"), to oversee different areas of the Company's affairs. The terms of reference of the Board committees are posted on the Company's website and the website of the Stock Exchange and are available to Shareholders upon request.

Composition

The Board currently comprises four Executive Directors and three Independent Non-executive Directors.

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief Executive Officer)
Mr. Chan Sik Mau

Independent Non-executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules, from the Date of Listing and up to the date of this report, as there are three Independent Non-executive Directors in the Board and the number of Independent Non-executive Directors constitutes more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgement. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the Independent Non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the Independent Non-executive Directors are expressly identifies as such in all corporate communications that disclose the name of the Directors.

All the Independent Non-executive Directors namely, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung have respectively entered into a service contract with the Company for a term of one year renewable from time to time unless terminated by not less than one month' notice in writing served by either party on the other. The Independent Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company ("**the Articles**").

Pursuant to Article 108 of the Articles at each following annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election or re-election.

Mr. Leung Chi Kit, Ms. Tso Yuk Ching, Mr. Chow Dik Cheung, Mr. Chan Sik Mau, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Articles 108 of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

CORPORATE GOVERNANCE REPORT

The Company has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Group considers all Independent Non-executive Directors to be independent under the Listing Rules.

Save that Ms. Tso Yuk Ching is the spouse of Mr. Leung Chi Kit, there are no financial, business, family or other material/relevant relationship among the members of the Board. The biographical details of each of the Directors are out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Draft minutes of board meetings are circulated to Directors for comments and the signed minutes are kept by the Company Secretary.

In order to safeguard the interest of individual Directors, the Company has also arranged directors’ and officers’ liability insurance for the Directors of the Company.

BOARD AND GENERAL MEETINGS

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. From the Date of Listing to the year ended 31 March 2019, the Directors’ attendance of the Board meetings and general meeting is set out as follows:

	Attendance/Number of general meetings during the year ended 31 March 2019	Attendance/Number of board meetings during the year ended 31 March 2019
Executive Directors		
Mr. Leung Chi Kit (Chairman)	1/1	4/4
Ms. Tso Yuk Ching	1/1	4/4
Mr. Chow Dik Cheung (Chief Executive Officer)	1/1	4/4
Mr. Chan Sik Mau	1/1	4/4
Independent Non-executive Directors		
Mr. Chang Chun Pong	1/1	4/4
Mr. Tsui Leung Cho	1/1	4/4
Mr. Lam Kai Yeung	1/1	4/4

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control and risk management systems and supervising and managing management's performance.

Regarding the Group's corporate governance, since the Listing and up to the date of this report, the Board has performed the following duties:

– determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;

– reviewed and monitored the training and continuous professional development of Directors and senior management;

– reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;

– developed, reviewed and monitored the code of conduct applicable to Directors and employees; and

– reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management. In addition, the Board has also delegated various responsibilities to the Board Committees. All the Board Committees perform their distinct roles in accordance with their respective term of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. In compliance with the Code, the Group has appointed a separate chairman and chief executive of the Company since the Listing. In order to ensure that there is clear division of responsibilities between the chairman of the Board and the chief executive of the Company, these two positions are assumed by different individuals, Mr. Leung Chi Kit, the Chairman of the Board, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Chow Dik Cheung, the Chief Executive Officer of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the year ended 31 March 2019 and up to the date of this report, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the year ended 31 March 2019 conducted by the Legal Advisor of the Company and relevant training material has been distributed to all the Directors. All Directors had attended the in-house training. The training covered topics which include, the disclosure obligations in Hong Kong, the requirements of disclosable transactions and connected transactions etc. under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established on 23 May 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and it currently comprises three Independent Non-executive Directors namely Mr. Lam Kai Yeung (as Chairman), Mr. Chang Chun Pong and Mr. Tsui Leung Cho.

The terms of reference of the Audit Committee (which have been amended by the Board on 2 January 2019) are available on the Stock Exchange's website and the Company's website.

The primary duties of the Audit Committee include, but not limited to:

– to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

– to review the accounting principles and policies adopted by the Company and discuss with management and the external auditor the financial reporting matters;

– to review the financial statements of the Group before their submission to the Board for approval; and

– to review the effectiveness of the internal control and risk management systems of the Group.

The Audit Committee held a meeting on 26 June 2019 to review, in respect of the year ended 31 March 2019, the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of the external auditors and relevant scope of works and, continuing connected transactions. There had been no disagreement between the Board and the Audit Committee from the Date of Listing to the date of report. The attendance record of each member of the Audit Committee is set out below:

	Attendance/Number of meetings from the Date of Listing to the year ended 31 March 2019
Independent Non-executive Directors	
Mr. Chang Chun Pong	2/2
Mr. Tsui Leung Cho	2/2
Mr. Lam Kai Yeung (Chairman)	2/2

REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 May 2017 and it currently comprises three Independent Non-executive Directors namely Mr. Chang Chun Pong (as Chairman) and Mr. Tsui Leung Cho and Mr. Lam Kai Yeung, and two Executive Directors namely Mr. Leung Chi Kit and Ms. Tso Yuk Ching.

The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website. The principal functions include, but not limited to:

– reviewing and approving the management's remuneration proposals with reference to the Board's goals and objectives; and

– as the Board shall direct, making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

The Remuneration Committee consults the chairman of the Board and an Executive Director about their remuneration proposals for other Executive Directors and senior management.

Details of remuneration packages of the Executive Directors during the year are set out under heading "Directors', Chief Executive's and Employees' Emoluments" in note 12 to the consolidated financial statements.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the CG Code and are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held 3 meetings during the year ended 31 March 2019 to review the remuneration of all Executive Directors and senior management individually. The attendance record of each member of the Remuneration Committee is set out below:

	Attendance/Number of meetings from the Date of Listing to the year ended 31 March 2019
Executive Directors	
Mr. Leung Chi Kit	3/3
Ms. Tso Yuk Ching	3/3
Independent Non-executive Directors	
Mr. Chang Chun Pong (Chairman)	3/3
Mr. Tsui Leung Cho	3/3
Mr. Lam Kai Yeung	3/3

DIRECTORS' REMUNERATION

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company regularly. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

During the year ended 31 March 2019, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	**No. of person**
Below HK$1,000,000	5
Above HK$1,000,000	–

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in note 12 to the consolidated financial statements.

During the year, members of the Remuneration Committee had performed the following duties under the Terms of Reference of the Committee:

- assessed the performance of the Executive Directors and consulted the Chairman of the Board and the Chief Executive Officer about their remuneration proposals for other Executive Directors;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- made recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- made recommendations to the Board on the remuneration of the Independent Non-executive Directors;
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; and
- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 23 May 2017 with written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. As at the date of this annual report, the Nomination Committee comprises two Executive Directors, namely Mr. Leung Chi Kit, and Ms. Tso Yuk Ching and three Independent Non-executive Directors, namely Mr. Lam Kai Yeung, Mr. Chang Chun Pong and Mr. Tsui Leung Cho. Mr. Leung Chi Kit is the chairman of the Nomination Committee. The written terms of reference of the Nomination Committee which were amended by the Board on 2 January 2019 are in line with the CG Code and are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the selection of individuals nominated for directorship, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee held a meeting on 26 June 2019 to review the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the 2019 annual general meeting, to review the structure, size and composition of the Board and to review and report to the Board the Board Diversity Policy and the Board Nomination Policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee will consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. Having reviewed the composition of the Board, details of which are set out under the section headed "Biographies of the Directors and Senior Management" on pages 12 to 14 of this annual report, the Nomination Committee considered that there is an appropriate balance of Board diversity.

The attendance record of each member of the Nomination Committee is set out below:

	Attendance/Number of meetings from the Date of Listing to the year ended 31 March 2019
Executive Directors	
Mr. Leung Chi Kit (Chairman)	1/1
Ms. Tso Yuk Ching	1/1
Independent Non-executive Directors	
Mr. Chang Chun Pong	1/1
Mr. Tsui Leung Cho	1/1
Mr. Lam Kai Yeung	1/1

BOARD NOMINATION POLICY

The Company has adopted a Board Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

The Nomination Committee will monitor the implementation of the Board Nomination Policy and report to the Board annually.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a Board Diversity Policy. The Company recognises and embraces the benefits of diversity of the Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives including, but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

During the year and as at the date of this annual report, the Board comprises seven Directors, one of whom is female. The following tables further illustrate the diversity of the Board Members as of the date of this annual report:

	Age Group			
Name of Directors	**Below 50**	**50 to 60**	**61–70**	**Above 70**
Mr. Leung Chi Kit (Chairman)		✓		
Ms. Tso Yuk Ching		✓		
Mr. Chow Dik Cheung (Chief Executive Officer)	✓			
Mr. Chan Sik Mau			✓	
Mr. Chang Chun Pong		✓		
Mr. Tsui Leung Cho				✓
Mr. Lam Kai Yeung	✓			

Name of Directors	Professional Experience: Business Management	Industry Experience	Accounting and Finance	Law
Mr. Leung Chi Kit (Chairman)	✓	✓		
Ms. Tso Yuk Ching	✓	✓		
Mr. Chow Dik Cheung (Chief Executive Officer)	✓	✓		
Mr. Chan Sik Mau		✓		
Mr. Chang Chun Pong				✓
Mr. Tsui Leung Cho		✓		
Mr. Lam Kai Yeung			✓	

Measurable Objectives and Selection

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually.

DIVIDNED POLICY

The Board adopted a Dividend Policy on 31 December 2018 in order to enhance transparency of the Company and facilitate shareholders and investors to make informed investment decision. The Board is committed to provide stable and sustained dividends to the Shareholders, and the Dividend Policy sets the foundation to determine a prudent and disciplined dividend payment to shareholders while preserving the Company's liquidity to capture future growth opportunities. The Board will determine the level of dividends after considering factors which include (i) group performance, (ii) financial condition, (iii) investment requirements, (iv) future prospects, (v) economic and political conditions of the business environment, and (vi) the statutory and regulatory restrictions on the payment of dividends and other factors as may be considered relevant by the Board. The Board will from time to time review the Dividend Policy as appropriate to ensure its continued effectiveness.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditors' report on pages 47 to 51 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

During the year ended 31 March 2019, the Group has engaged HLB Hodgson Impey Cheng Limited, as its external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. Details of the fees paid or payable to HLB Hodgson Impey Cheng Limited during the year are as follows:

	HK$
Audit services	800,000
Non-audit services	300,000
	1,100,000

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining the Group's systems of internal control and risk management and reviewing their effectiveness. The internal control and risk management systems of the Group are designed to provide reasonable assurance to minimize risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group has engaged an Internal Control Review Consultant who reviews the effectiveness of the risk management and internal control systems annually in order to ensure that they meet with the dynamic and ever changing business environment.

During the year, the Audit Committee has reviewed the Group's internal control and risk management systems and considered the internal control review report with the Group's Executive Directors. The review covers all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate. The Internal Control Review Consultant conducted a review on a set of business cycles and made recommendations for the improvement and strengthening of the internal control and risk management systems. No significant control findings or weakness have been identified by the Internal Control Review Consultant.

Risk management and internal control

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Group's strategic objectives. The Group has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Group has engaged an external independent consultant to conduct a review on the internal control and risk management systems of the Group during the year ended 31 March 2019 and to report their findings to the Audit Committee and the Board. The scope of review for the year 2019 covered overall management control, risk assessment and management, control procedures for revenue, purchasing, property, plant and equipment and human resource management.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Dissemination of inside information

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") is Ms. Tsui Wai Ting Rosalie whose biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Ms. Tsui Wai Ting Rosalie has confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 March 2019 as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles of Association, an extraordinary general meeting 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 Company 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 calendar 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.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director of the Company, please refer to the “Procedures for Shareholders to Propose a Person for Election as a Director” of the Company which is posted on the Company’s website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit D, 9/F, Billion Plaza 2, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong
(For the attention of the Board of Directors)
Fax: 852 - 8148 7458
Email: info@leungpui.com.hk

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders’ information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

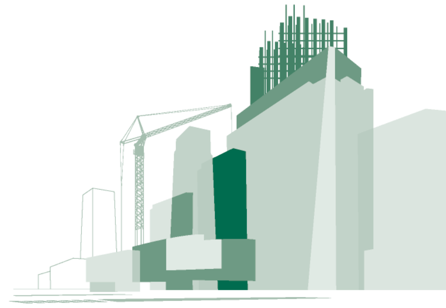
The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. The Company maintains a website at www.kinshingholdings.com.hk as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted an amended and restated Memorandum and Articles of Association ("**Articles**") pursuant to a special resolution passed by the sole Shareholder on 23 May 2017 and the Articles became effective on 16 June 2017. Since then, the Company has not made any changes to its Articles. An up to date version of the Company's Articles is also available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



INTRODUCTION

The major operating subsidiary of the Group is an established subcontractor in Hong Kong for more than 20 years. It principally provides formwork works, which can be categorised into two types in terms of the materials mainly used – traditional timber formwork using timber, and plywood and metal formwork system using aluminium and metal.

For the year ended 31 March 2019 (the "**Reporting Period**"), the Group upheld its pledge to provide premium products and services to its customers. At the same time, the Group was fully aware of its responsibility to deliver long-term, sustainable value creation to shareholders and stakeholders.

During the Reporting Period, the Group have adopted both quality and environmental management system models for our formwork works service, which has been assessed and certified as meeting the requirements of International Organisation for Standardisation ("**ISO**") 9001:2008 and ISO 14001:2004. The Groups' requirements for occupational health safety management system developed for controlling health and safety risk related to a business are met and certified with Occupational Health and Safety Assessment Specification ("**OHSAS**") 18001:2007.

To achieve sustainable development, the Group maintains close relationships and continuously communicate with its stakeholders. The communications had enabled the Group to accurately assess the potential impacts of its business activities in the aspects of ESG. The table below highlights the Group's key stakeholders as well as the Group's methods in engaging them:

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	• Shareholders	• Corporate website • Annual financial report • Seminars • Conference call
Employees	• Senior Management • Employees • Potential recruits	• Training, seminars • Face-to-face meetings • Interviews
Customers	• Real estate developers • Main contractors	• Face-to-face meetings • Designated customer hotline • Interviews
Suppliers/Contractors	• Materials suppliers • Service suppliers • Contractors	• Suppliers assessment • Daily work review • Site inspection/meeting with contractors
Government	• Government • Regulatory authorities	• Written or electronic correspondences

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the following sections, the Group presents its efforts in fulfilling its corporate social responsibility under the "Environmental" and "Social" aspects for the Reporting Period.

I. ENVIRONMENTAL

I.1 Our environmental policy

The "green policy" the Group adopted guides its staff to adopt eco-friendly habits into their work. The objectives of adopting the policy are to reduce energy consumptions in the Group's operations and raise staff's environmental awareness in aspects such as energy consumption, paper use, and greenhouse gas emissions.

At the same time, straight compliance with the Air Pollution Control (Construction Dust) Regulation, Waste Disposal Ordinance and Noise Control Ordinance was adhere to by the Group during the Reporting Period.

Through the efforts of the Group's management and its staff, measures to control and prevent pollutions were executed during the Reporting Period in the following aspects:

a. Air pollution control

At construction sites, dust suppression is carried out by installation of screens and other barriers, as well as spraying of water immediately before, during and after operations that generate dust.

b. Wastage control

In terms of waste management, the Group adopts a hierarchy based on reuse, recycling, reduction, recovery and at the last resort, treatment prior to disposal.

The Group utilize precast reusable formworks made up of aluminium alloy into its construction works with the view that, since traditional timber formwork cannot be reused, the use of aluminium alloy formworks is more environmentally friendly and helps save tree resources. Further, after the useful life of the aluminium alloy formworks is exhausted, the formworks can be scrapped and recycled in an environmentally friendly manner.

Other non-recyclable materials generated from operations are sorted and delivered to the public fill reception areas or landfills. During the Reporting Period, the Group engaged qualified waste disposing handlers for the collection and removal of construction wastes to ensure compliance with the Waste Disposal Ordinance.

c. Noise pollution control

All of the Group's construction activities are only conducted during permitted hours and days. Although the use of powered mechanical equipment is limited in our operations, most of the equipment is installed with silence devices.

In response to environmental non-compliances in general, program for corrective actions will be implemented accordingly to rectify the situation. Regular site walks are performed by the Group's safety officers to check for any environmental non-compliances.

For the Reporting Period, the Group was not aware of any non-compliances with environmental laws and regulations.

I.2 Emissions

In accordance with the "Air Pollution Control Ordinance" laid down by the Environmental Protection Department ("**EPD**"), the Group's machineries use fuel with sulphur content not exceeding 0.005% during industrial processes.

During the Reporting Period, the Group did not use any liquified petroleum gas (LPG) or Towngas and therefore have no relevant greenhouse gas (GHG) emissions to report. At the same time, the Group did not produce any hazardous waste from our operations.

The following presents the Group's GHG emissions for the Reporting Period:

GHG emissions from vehicles:

Aspects 1.1	**Unit**	**2019**	2018
Nitrogen oxides	gram	**235,994**	264,994
Sulphur oxides	gram	**521**	34
Respiratory suspended particles	gram	**16,971**	19,056

GHG emissions from mobile combustion sources:

Aspects 1.2	**Unit**	**2019**	2018
Scope 1			
Carbon dioxide	kg	**84,592**	5,435
Methane	kg	**100**	19
Nitrous oxide	kg	**959**	811

Indirect GHG emission:

Aspects 1.2	**Unit**	**2019**	2018
Scope 2			
Indirect GHG Emissions	kg (CO2 equivalent)	**20,881**	16,102

I.3 Use of Resources

At our office, double-sided printing and copying is encouraged to reduce paper wastage. Scrap paper collection boxes are placed besides printers to facilitate paper reuse.

Our main sources of electricity consumption include air conditioning, office lighting and electrical appliances. Most of the electrical appliances at the Group's office are energy efficient. Energy saving lighting equipment such as fluorescent lamp and LED would be preferred during procurement. Unnecessary lighting and air-conditioners are required to be turned off when they are not in use. Further, air-conditioning temperatures would be set at an environmentally friendly level of around 24 to 26 degree Celsius.

The following presents our direct energy consumption for the Reporting Period:

Direct energy consumption in total and intensity:

Aspects 2.1	Unit	2019	2018
Electricity usage	kWh	**33,144**	25,558
Electricity usage intensity	kWh/premises	**18,939**	25,558

II. SOCIAL

II.1 Employment and Labour Practices

The Group's skilled and dedicated industry professionals and staff remains to be the cornerstone of its success. The Group's human resources policy covers aspects such as reward and compensation, discipline, code of conduct, and benefits and welfare. The Group also strives to provide a safe and healthy working environment and career development support to staff.

Compensation and human resources budgets are regularly reviewed by the Group's management to ensure that staff remuneration packages can attract and retain talent and remain competitive within the industry.

The Group's employee handbook is also regularly reviewed and updated to ensure compliance with the Employment Ordinance.

The Group prides itself as an equal opportunity employer. It fully complies with laws and regulations prohibiting unfair discrimination, including the Sex Discrimination Ordinance, the Race Discrimination Ordinance and the Disability Discrimination Ordinance. An employee's age, gender, family status, sexual orientation, physical disability, ethnicity and religion would not in any degree affect his or her chances of joining the Group. The same principle applies to employee appraisal and counselling processes.

During the Reporting Period, the Group has zero tolerance to using forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. The Group confirms that there is no violation of applicable laws and regulations on working hours, salary, benefits and other employment matters during the Reporting Period.

II.2 Protecting staff's health and safety

During the Reporting Period, the Group was certified for ISO 9001, ISO 14001 and OHSAS 18001. The Group's safety department employs safety supervisors and registered safety officers to conduct safety works and monitor compliance with safety relevant laws and regulations. The Group ensures that adequate resources and efforts are used to uphold and improve its safety management system to sufficiently mitigate safety risks to an acceptable level.

Safety plans are required to be prepared for construction projects and details of the plan would be conveyed to employees and subcontractors. Safety trainings are mandatory for employees working at construction sites to attend.

The Group engages registered safety auditors to conduct safety audits to collect, assess and verify information on the efficiency, effectiveness and reliability of the safety management system implemented at sizable construction sites at least once every six months from the works commencement date.

During the Reporting Period, the Group appointed a registered safety auditor to conduct a safety audit on one of the Group's operating subsidiaries and the projects undertaken by it. These audits confirmed that the safety management systems adopted by the Group are adequate and effective.

A safety consultant has also been engaged to conduct random safety inspections for construction projects and to provide safety consultancy service, which includes offering trainings to the Group's directors and senior management and carrying out risk assessment for specific high-risk activities or operations.

During the Reporting Period, no fatal injury cases occurred at our project sites. 24 cases of work injuries were reported during the year ended 31 March 2019.

II.3 Training and Development

The Group offers training sponsorship to those employees who is dedicated to serving the Group and excel at their career.

All new hires would be briefed by their immediate supervisors to better equip them to fulfil their job duties. To ensure safety of employees working at construction sites, adequate safety training and talks would be given by the Group's safety supervisor and safety officers. The Group also sponsored employees to join professional training courses relevant to their job duties.

II.4 Supply Chain Management

The Group put great emphasizes on only engaging suppliers and subcontractors who can offer the Group with quality products and services. Further, the Group would also avoid engaging suppliers or subcontractors with questionable environmental practices. To achieve these, a comprehensive supply chain management system with reference to the ISO certifications was adopted.

Before ordering timber or plywood, one of the Group's construction materials, the Group would request suppliers to supplement a place of origin certificate with each timber or plywood delivery to ensure that only wood products from sustainable sources would be used in construction projects. The certificate would need to be endorsed by internationally recognized institutions such as the Forest Stewardship Council and the American Forest and Paper Association.

If the Group needs to engage new suppliers or subcontractors, sufficient background and quality checking works would be conducted to evaluate the suppliers or subcontractors sourced. To ensure quality of construction works conducted for customers, the Group's construction teams would regularly carry out inspections at project sites. Suppliers or subcontractors who failed to perform up to the Group's standards would be penalized appropriately.

II.5 Service pledge to our customer

The Group is certified for ISO 9001:2008 quality management system standards. In other words, detailed regulations on customer service standards are incorporated into the Group's quality manual, procedure manual and quality plan.

To understand our customers' needs and thus provide services meeting their expectation, the Group maintains communication with them through regular meetings and day-to-day phone and email correspondence. To ensure that quality works are delivered, building materials would be thoroughly inspected by construction teams before being applied to construction works. If materials from new suppliers are proposed, the materials will need to undergo the necessary testing and approval will need to be obtained from relevant customer.

II.6 Anti-Corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out relevant policies in the employee handbook and the Code of Conduct for employees to abide by. The Code of Conduct provides clear guidelines on the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Various policies and guidelines are in place to avoid breach of the Prevention of Bribery Ordinance. A whistleblowing policy is also in place which allows employees to report to the directors anonymously any case of unethical behaviour.

During the Reporting Period, no case regarding the violation of relevant laws and regulations on anti-corruption has been identified.

II.7 Community Involvement

During the Reporting Period, the Group made donations to the following charities to contribute to not only the construction industry but also the education sector:

a. **The Lighthouse Club Hong Kong**

The organization supports the construction industry by the provision of charitable assistance to distressed person within the industry. In the past, it organized events such as technical seminars and safety awards ceremony for fellow members of the construction industry.

b. **Hong Kong China Chamber of Commerce**

The non-profit organization enthuse in organizing different campaigns to promote charity. The Group's donation helped the organization to provide charitable support to a school in China in the form of a student scholarship.

Apart from the above organizations, the Group also donated to an international school located in Hong Kong. The donation helps the school in setting up an oversea English study course sponsorship to support students suffering from financial hardship to enhance their English skills in overseas countries.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

The Group will continue to uphold its corporate social responsibility and enhance its relevant performance. In the future, the Group is aiming at enhancing its ESG performance through raising staff's and subcontractor's awareness over environmental protection, dedicate more and more resources to protecting the health and safety of its staff, and participate in various charities to contribute to the Hong Kong society.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of formwork works and building construction works. The principal activities of the subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the year ended 31 March 2019 is set out under the section headed "Management Discussion and Analysis" of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The relationship with stakeholders of the Group during the reporting period is set out in the subsection headed "Relationships with Employees, Customers and Suppliers" on page 9 of this annual report. The content is part of the report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group during the reporting period is set out in the subsection headed "Principal risk and uncertainty" on page 9 of this annual report. The content is part of this report of the Directors.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 March 2019 by operating segment is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

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

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 9 August 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 6 August 2019 to Friday, 9 August 2019 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 5 August 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 124 of this annual report. Such summary does not form part of the consolidated financial statements.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 March 2019 are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Details of movements in the bank borrowings of the Group during the year ended 31 March 2019 are set out in note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 March 2019 are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movement in the Group's and the Company's reserves during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity and on page 123, respectively.

DIRECTORS

The Directors during the year ended 31 March 2019 and up to the date of this report were:

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief executive Officer)
Mr. Chan Sik Mau
Mr. Xiong Wei (appointed on 5 July 2018 and resigned on 10 October 2018)

Independent Non-executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

In accordance with the provisions of the Company's articles of association, Mr. Leung Chi Kit, Ms. Tso Yuk Ching, Mr. Chow Dik Cheung, Mr. Chan Sik Mau, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Biographical details of the Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management". Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from each of the Independent Non-executive Directors.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company passed on 23 May 2017, the Company adopted a share option scheme (the "**Scheme**") to motivate Eligible Participants (as defined in the scheme) to optimise their performance and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationship with those people whose contributions are, will or expected to be beneficial to the Group. These people include the employees (fulltime or part-time), Directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, shareholders, business partners or service providers of the Group and to recognize their contribution or potential contribution to the development and growth of the Group.

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 or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, Independent Non-executive Directors, 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 Company's shareholders.

Options granted must be taken up within 21 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 of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors of the Company, and will be at least the higher of (i) the closing price of the Company's 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 Company's Shares.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 23 May 2017) and shall expire at the close of business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of the reporting period. A summary of the principal terms and conditions of the Scheme is set out in Appendix V to the Prospectus.

DIRECTORS' SERVICE CONTRACT

All the Independent Non-executive Directors have entered into a service contract with the Company for a term of one year renewable from time to time unless terminated by not less than one months' notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance to which the Company or any of its subsidiaries was a party in which a Director had a material interest subsisted at the end of the year ended 31 March 2019 or any time during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

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

EMPLOYEES AND REMUNERATION POLICIES

The employees and remuneration policies of the Group during the reporting period is set out in the subsection headed "Employees and Remuneration Policies" on page 10 of this annual report. The content is part of the report of the Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Immediately following completion of the Share Offer and the Capitalisation Issue, interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of Company's issued share capital
Mr. Leung Chi Kit	Interest in controlled corporation *(Note 1)*	1,125,000,000	75%
Ms. Tso Yuk Ching	Family interest *(Notes 1 and 2)*	1,125,000,000	75%

Notes:

1. Five Continental Enterprise Limited is legally interested in 1,125,000,000 Shares upon Listing. As 85% of shareholding interest of Five Continental is owned by Mr. Leung, Mr. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.

2. Ms. Tso Yuk Ching is the spouse of Mr. Leung. Accordingly, Ms. Tso Yuk Ching is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

(ii) Long position in Five Continental, an associated corporation of the Company

Name of Director	Capacity/Nature	Percentage of shareholding
Mr. Leung Chi Kit	Beneficial owner *(Note)*	85%
Ms. Tso Yuk Ching	Family interest *(Note)*	85%

Note: Mr. Leung is the spouse of Ms. Tso Yuk Ching. Accordingly, Ms. Tso Yuk Ching is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as is known to the Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Scheme, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature of Interest	Number of Shares/underlying Shares held	Percentage of Company's issued share capital
Mr. Chow Siu Yu *(Note 1)*	Interest in controlled corporation; interests held jointly with other people	1,125,000,000	75%
Five Continental Enterprise Limited *(Note 2)*	Beneficial owner; interests held jointly with other people	1,125,000,000	75%

Notes:

1. On 5 August 2016, Mr. Leung Chi Kit, Ms. Tso Yuk Ching and Mr. Chow Siu Yu entered into a Concert Parties Confirmatory Deed (as defined in the Prospectus dated 31 May 2017) to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Leung Pui Form Mould & Engineering Co., Limited ("**Leung Pui**") and Ho Yip Construction Company Limited ("**Ho Yip**") since the incorporation of Leung Pui and Ho Yip and (ii) each of the members of our Group upon the Listing Date and will continue so as of and after the date of the Concert Parties Confirmatory Deed. As such, pursuant to the parties acting in concert arrangement, each of Mr. Leung, Ms. Tso and Mr. Chow is deemed to be interested in 75% of the issued share capital of our Company.

2. Five Continental is owned as to 85% by Mr. Leung Chi Kit and 15% by Mr. Chow Siu Yu, who is the uncle of the Executive Director Mr. Chow Dik Cheung. As Ms. Tso Yuk Ching is the spouse of Mr. Leung, Ms. Tso Yuk Ching is deemed to be interested in the shares of Five Continental held by Mr. Leung. Accordingly, Mrs. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during the year ended 31 March 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 84.7% (2018: 72.6%) and 26.8% (2018: 42.6%) of the Group's total turnover respectively.

During the year ended 31 March 2019, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 68.5% (2018: 74.8%) and 22.1% (2018: 23.0%) of the Group's total purchases respectively.

To the best of the knowledge of the Directors, saved as disclosed in this annual report, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

DEED OF NON-COMPETITION

The controlling shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under the deed of non-competition dated 23 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Date of Listing.

PERMITTED INDEMNITY

Since the Date of Listing till the date of the report, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year ended 31 March 2019 or subsisted at the end of the reporting period.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions, which constituted connected transactions of the Group, with related parties during the year ended 31 March 2019 as set out in note 30 to the consolidated financial statements.

During the year ended 31 March 2019, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under the Listing Rules in relation to the continuing connected transactions during the year ended 31 March 2019. Details of the continuing connected transaction of the Group for the year ended 31 March 2019 are set out below:

Name of related party	Nature of transaction	**2019** **HK$'000**	2018 HK$'000
King Fu Plastic Products Limited ("**King Fu**")	Purchases of raw materials	**11,993**	9,601

Purchase of merchandises from King Fu Plastic Products Limited ("King Fu")

On 23 May 2017, Leung Pui Form Mould & Engineering Co., Limited (a subsidiary of the Company) and King Fu entered into a master agreement (the "**King Fu Agreement**"), pursuant to which Leung Pui agreed to purchase and King Fu agreed to supply tools and materials for formwork works to the Group at a price to be determined from time to time. The selling price of the merchandises are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties (as defined in the Prospectus dated 31 May 2017). The King Fu Agreement commenced from the Listing Date and will last until 31 March 2020, provided that either party may terminate the agreement by giving not less than one month's prior written notice to the other party. It is expected that the total purchase from King Fu from the Listing Date for each of the three years ending 31 March 2020 will not exceed HK$11,000,000, HK$12,000,000 and HK$13,000,000 respectively.

To ensure that the purchase price offered by King Fu is fair and reasonable and comparable to those offered by Independent Third Parties and to obtain the prevailing market price, the Group will obtain quotations in relation to the same product type and volume from at least two other independent parties prior to entering into a purchase order with King Fu. The Directors of the Company consider that the above procedures can ensure that the transactions under the King Fu Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders after Listing.

King Fu is a company with limited liability incorporated in Hong Kong on 10 March 2000 and is a supplier of a wide variety of merchandises which include construction-related tools and materials. Since King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Mrs. Leung respectively, King Fu is a connected person of the Company and the transactions contemplated under the King Fu Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Based on the annual caps under the King Fu Agreement as mentioned above, the relevant percentage ratio is more than 25% and the annual consideration is more than HK$10,000,000. Therefore, the transactions under the King Fu Agreement constitute non-exempt continuing connected transactions and are subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements as set out in Rules 14A.31, 14A.35, 14A.36, 14A.49, 14A.55, 14A.64, 14A.69 and 14A.71 of the Listing Rules. The Board considers that strict compliance with the announcement requirement would be unduly burdensome and would add unnecessary administrative costs to the Company. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the King Fu Agreement from strict compliance with the announcement and independent shareholders' approval requirements, as specified by Listing Rules 14A.35 and 14A.36.

The Independent Non-executive Directors have reviewed and confirmed that the above continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In respect of the waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the King Fu Agreement from strict compliance under Listing Rules 14A.35 and 14A.36 granted by the Stock Exchange, the Directors confirmed that the Group does not exceed the annual caps of such transactions from the Date of Listing and up to the year ended 31 March 2019.

COMPETING BUSINESS

For the period from the Date of Listing and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

Non-Competition Undertaking by Controlling Shareholders

The Controlling Shareholders had entered into a deed of non-competition in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) on 23 May 2017 (the "**Deed of Non-Competition**"), details of which are set out in section headed "Relationship with the Controlling Shareholders – Deed of Non-Competition" in the Prospectus. The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors had reviewed and confirmed that there are no matters required to be deliberated by them in relation to the compliance with and enforcement of the Deed of Non-Competition and considered that the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The environmental policies and performance of the Group during the reporting period is set out in the subsection headed “Environmental Policies and Performance” on page 11 of this annual report. The content is part of the report of the Directors.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The compliance with the relevant laws and regulations of the Group during the reporting period is set out in the subsection headed “Compliance with Laws and Regulations” on page 11 of this annual report. The content is part of the report of the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total number of issued shares were held by the public as at the date of this report.

DONATION

Charitable donations were made by the Group during the year ended amounted to HK$53,000 (2018: HK$37,800).

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 March 2019 and up to the date of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by HLB Hodgson Impey Cheng Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By order of the Board of
Kin Shing Holdings Limited

Leung Chi Kit
Chairman and Executive Director

Hong Kong, 26 June 2019

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF
KIN SHING HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kin Shing Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 52 to 123, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction works	
Refer to note 5 to the consolidated financial statements. The Group's revenue from construction works for the year ended 31 March 2019 amounted to approximately HK$850,565,000. We identified the revenue recognition from construction works as a key audit matter as it is significant to the consolidated statement of profit or loss and other comprehensive income and management's judgment is involved in measuring the value of construction works completed during the year. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims and disputes. As disclosed in note 4 to the consolidated financial statements, the management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.	Our procedures in relation to the revenue recognition from construction works included: • Discussing with the Group's quantity surveyor to understand the status of completion of the relevant construction projects during the year; • Assessing the management's estimate of revenue from construction works, by performing the following procedures on a sample basis: (1) Checking to the Group's latest internal construction progress reports to verify the value of construction work completed and compared with the latest payment certificates issued by the customers before and after year end; (2) Assessing the management's estimate of the impact to revenue arising from scope changes made to the original contracts, claims and disputes with reference to supporting documents including variation orders and correspondence among the Group and customers; and (3) Assessing the reasonableness of the gross margin during the year by comparing with the budgeted profit of the whole construction project.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets	
Refer to note 17 and note 18 to the consolidated financial statements. The carrying amount of the Group's trade receivables and contract assets amounted to approximately HK$91,462,000 and HK$128,853,000 respectively as at 31 March 2019. We identified the expected credit loss ("**ECL**") for trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant degree of estimations by the management of the Group in estimation of ECL for trade receivables and contract assets which may affect their carrying amounts. As disclosed in note 4 to the consolidated financial statements, management assesses the ECL for trade receivables and contract assets based on the historical default rates, past-due status, financial capability of the individual debtors and the forward-looking information.	Our procedures in relation to the recoverability of trade receivables and contract assets included: • Obtaining an understanding of how management assesses the ECL for trade receivables and contract assets; • Obtaining the aging of trade receivables and contract assets, reviewing their history of repayment and the managements' assessment on the financial capability of the debtors; • Evaluating management's basis and judgement in determining credit loss allowance on trade receivables and contract assets; and • Discussing with the Group's quantity surveyor about his evaluation of the impact of disputes with customers and unforeseen delay of construction projects, if any, on the recoverability of trade receivables and contract assets and checking to relevant correspondences and documents to assess the reasonableness of quantity surveyor's evaluation.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' 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 Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in the independent auditors' report is Jonathan T. S. Lai.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

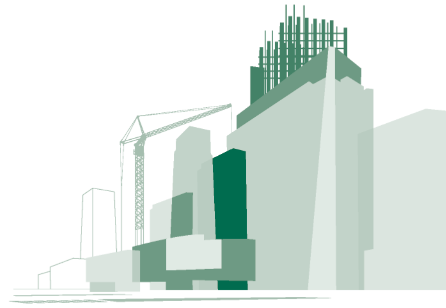
Jonathan T. S. Lai
Practising Certificate Number: P04165

Hong Kong, 26 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**850,565**	576,856
Direct costs		**(802,880)**	(513,545)
Gross profit		**47,685**	63,311
Other income	7	**2,404**	959
Other (losses)/gains	8	**(36,571)**	13
Administrative expenses		**(23,955)**	(30,645)
Share of loss of a joint venture		**–**	(5)
Finance costs	9	**(2,812)**	(973)
(Loss)/Profit before tax		**(13,249)**	32,660
Income tax expense	10	**(6,070)**	(5,380)
(Loss)/Profit and total comprehensive (expense)/income for the year	11	**(19,319)**	27,280
(Loss)/Profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(19,319)**	27,280
(Loss)/Earnings per share	13		
– Basic (HK cents)		**(1.29)**	1.89



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	22,758	19,424
Investment in a joint venture	16	–	–
Deposits for acquisition of property, plant and equipment		–	297
Deferred tax assets	26	2,294	4,353
		25,052	24,074
Current assets			
Trade and other receivables	17	94,504	108,063
Contract assets	18	128,853	–
Amounts due from customers for contract work	19	–	89,861
Tax recoverable		3,427	9,735
Cash and cash equivalents	20	181,688	92,438
		408,472	300,097
Total assets		433,524	324,171
Current liabilities			
Trade and other payables	21	89,298	67,897
Amounts due to customers for contract work	19	–	6,658
Amount due to a joint venture	16	5	5
Amount due to a related company	23	137,023	–
Amount due to a director	24	30,078	–
Bank borrowings	25	–	41,712
Tax payable		3	1,333
		256,407	117,605
Net current assets		152,065	182,492
Total assets less current liabilities		177,117	206,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	26	2,196	1,972
Net assets		174,921	204,594
Capital and reserves			
Share capital	27	15,000	15,000
Reserves		159,921	189,594
Total equity		174,921	204,594

The consolidated financial statements on pages 52 to 123 were approved and authorised for issue by the Board of Directors on 26 June 2019 and are signed on its behalf by:

Leung Chi Kit
Director

Chow Dik Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000 *(Note 27)*	Share premium HK$'000	Other reserve HK$'000 *(Note)*	Retained profits HK$'000	Total HK$'000
As at 1 April 2017	–	–	140	86,480	86,620
Profit and total comprehensive income for the year	–	–	–	27,280	27,280
Issue of new shares	2,550	94,350	–	–	96,900
Expenses incurred in connection with issue of new shares	–	(6,206)	–	–	(6,206)
Capitalisation issue	12,450	(12,450)	–	–	–
As at 31 March 2018	15,000	75,694	140	113,760	204,594
Adjustments *(Note 2)*	–	–	–	(10,354)	(10,354)
As at 1 April 2018 (restated)	15,000	75,694	140	103,406	194,240
Loss and total comprehensive expense for the year	–	–	–	(19,319)	(19,319)
As at 31 March 2019	**15,000**	**75,694**	**140**	**84,087**	**174,921**

Note: Other reserve represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired upon the group reorganisation and the consideration paid for the acquisition.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
(Loss)/Profit before tax	(13,249)	32,660
Adjustments for:		
Finance costs	2,812	973
Interest income	(371)	(300)
Depreciation of property, plant and equipment	6,287	4,128
Share of loss of a joint venture	–	5
Operating cash flows before movements in working capital	(4,521)	37,466
(Increase)/Decrease in trade and other receivables	(24,496)	16,887
Increase in contract assets	(13,337)	–
Increase in amounts due from customers for contract work	–	(35,312)
Increase/(Decrease) in trade and other payables	32,016	(17,651)
Decrease in contract liabilities	(17,273)	–
Decrease in amounts due to customers for contract work	–	(15,967)
Cash used in operations	(27,611)	(14,577)
Income tax refunded	7,082	–
Income tax paid	(3,845)	(23,215)
Net cash used in operating activities	(24,374)	(37,792)
Investing activities		
Interest received	371	300
Deposits for acquisition of property, plant and equipment	–	(297)
Purchases of property, plant and equipment	(9,324)	(12,364)
Net cash used in investing activities	(8,953)	(12,361)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
Dividends paid	–	(150)
Advance from a related company	165,000	–
Repayment to a related company	(30,000)	–
Advances from/(Repayments to) directors	30,078	(105)
Interest paid	(789)	(973)
New bank loans raised	85,000	30,000
Repayments of bank loans	(126,712)	(15,815)
Proceeds from issue of new shares	–	96,900
Expenses incurred in connection with the issue of new shares	–	(6,206)
Net cash generated from financing activities	122,577	103,651
Net increase in cash and cash equivalents	89,250	53,498
Cash and cash equivalents at the beginning of year	92,438	38,940
Cash and cash equivalents at the end of year	181,688	92,438
Represented by:		
Bank balances and cash	48,841	92,438
Cash held by securities broker	132,847	–
	181,688	92,438

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 April 2016. Its parent and ultimate holding company is Five Continental Enterprise Limited ("**Five Continental**"), a company incorporated in the British Virgin Islands and controlled by Mr. Leung Chi Kit, Mr. Chow Siu Yu and Ms. Tso Yuk Ching. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 June 2017. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Group is principally engaged in the provision of formwork works and building construction works.

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

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

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

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

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

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

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers*

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Formwork works; and
- Building construction works

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

Summary of effects arising from initial application of HKFRS 15

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

	Note	**Impact of adopting HKFRS 15 at 1 April 2018** HK$'000
Retained profits		
Adjustments of amounts due from customers for contract work	(b)	(12,400)
Tax effect	(b)	2,046
Impact at 1 April 2018		(10,354)

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

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

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

	Notes	Carrying amounts previously reported at 31 March 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018* HK$'000
Current assets					
Trade and other receivables	(a)	108,063	(38,055)	–	70,008
Contract assets	(a) & (b)	–	115,516	–	115,516
Amounts due from customers for contract work	(b)	89,861	(77,461)	(12,400)	–
Tax recoverable	(b)	9,735	–	2,046	11,781
Current liabilities					
Trade and other payables	(c)	67,897	(10,615)	–	57,282
Contract liabilities	(b) & (c)	–	17,273	–	17,273
Amounts due to customers for contract work	(b)	6,658	(6,658)	–	–
Capital and reserves					
Retained profits	(b)	113,760	–	(10,354)	103,406

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

Notes:

(a) At the date of initial application, retention receivables of approximately HK$38,055,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

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

Notes: (continued)

(b) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from customers for contract work of approximately HK$77,461,000 and amounts due to customers for contract work of approximately HK$6,658,000 were reclassified to contract assets and contract liabilities respectively. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured based on surveys of work performed. Under HKFRS 15, costs that related to satisfy performance obligations are expensed as incurred. Construction costs of approximately HK$12,400,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from customers for contract work were charged to retained profits. The related tax effect of approximately HK$2,046,000 were recognised in tax recoverable and included in adjustment to retained profits.

(c) At the date of initial application, advances from customers of approximately HK$10,615,000 arising from the construction contracts previously included in trade and other payables was reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets			
Trade and other receivables	94,504	63,169	157,673
Contract assets	128,853	(128,853)	–
Amounts due from customers for contract work	–	93,085	93,085
Tax recoverable	3,427	(1,356)	2,071
Current liabilities			
Tax payable	3	3,165	3,168
Capital and reserve			
Retained profits	84,087	22,880	106,967

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

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

Impact on the consolidated statement of profit and loss and other comprehensive income

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Direct costs	(802,880)	15,001	(787,879)
Gross profit	47,685	15,001	62,686
(Loss)/Profit before tax	(13,249)	15,001	1,752
Income tax expense	(6,070)	(2,475)	(8,545)
Loss and total comprehensive expense for the year	(19,319)	12,526	(6,793)

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and contract assets and (3) general hedge accounting.

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

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

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

The initial application of HKFRS 9 had no material impact on the classification and measurement of the Group's financial assets and applying HKFRS 9's ECL model did not result in the recognition of loss allowance on 1 April 2018 for the Group's financial assets and contract assets.

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

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

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

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

	31 March 2018 (Audited) HK$'000	HKFRS 15 HK$'000	1 April 2018 (Restated) HK$'000
Current assets			
Trade and other receivables	108,063	(38,055)	70,008
Contract assets	–	115,516	115,516
Amounts due from customers for contract work	89,861	(89,861)	–
Tax recoverable	9,735	2,046	11,781
Current liabilities			
Trade and other payables	67,897	(10,615)	57,282
Contract liabilities	–	17,273	17,273
Amounts due to customers for contract work	6,658	(6,658)	–
Capital and reserves			
Retained profits	113,760	(10,354)	103,406

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 *Leases*

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

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

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

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

HKFRS 16 *Leases* *(Continued)*

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$2,283,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

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 the 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.

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 in line with the Group's accounting policies.

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

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in joint ventures *(Continued)*

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

Output method

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

Variable consideration

For contracts that contain variable consideration (variations in contract work), 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Revenue recognition (prior to 1 April 2018)

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

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

Interests

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

Leases

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

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 options 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 options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

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.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, 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.

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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

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 tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that 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 amounts of tangible 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

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

Provisions

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

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

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts (if any).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the 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 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Financial assets

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

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

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

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

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

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

A financial asset is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Amortised cost and interest income

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

(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 and losses" line item.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(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 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

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

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

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

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at amortised cost

Financial liabilities 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.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Measurement of the value of construction works

Management measures the value of completed construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction work transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims and disputes. The management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The Group has the quantity surveyor to periodically measure the value of the construction work completed for each construction projects and issue the internal construction progress reports. The construction works performed by the Group would also be certified by the customers periodically according to the construction contracts. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on the internal construction progress reports and the payment certificates issued by the customers.

(b) Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually based on the Group's historical default rates, past-due status and the financial capability of individual debtors taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the financial capability of individual debtors and the forward-looking information are considered.

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

5. REVENUE

The following is an analysis of the Group's revenue from its major services:

	2019	2018
	HK$'000	HK$'000
Provision of formwork works and other ancillary works	**850,565**	576,856
Provision of building construction works	**–**	–
	850,565	576,856

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 March 2019

Segments	**Formwork works** HK$'000	**Building construction works** HK$'000	**Total** HK$'000
Type of services			
Formwork works	850,565	–	850,565
Geographical markets			
Hong Kong	850,565	–	850,565
Timing of revenue recognition			
Over time	850,565	–	850,565

(ii) Performance obligations for contracts with customers

Construction service

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

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Construction service *(Continued)*

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

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

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

	Construction service HK$'000
Within one year	**276,130**
More than one year but not more than two years	**133,263**
More than two years	**58,898**
	468,291

6. SEGMENT INFORMATION

Information reported to the Company's Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on the types of services provided. The Group's reportable and operating segments under "HKFRS 8 – Operating Segments" are as follows:

1. Formwork works – Provision of formwork works and other ancillary works

2. Building construction works – Provision of building construction works

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2019

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Revenue			
External sales and segment revenue	850,565	–	850,565
Segment profit/(loss)	38,016	(12)	38,004
Interest income			371
Loss from changes in fair value of financial assets at fair value through profit or loss			(36,565)
Unallocated expenses			(12,247)
Finance costs			(2,812)
Loss before tax			(13,249)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2018

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Revenue			
External sales and segment revenue	576,856	–	576,856
Segment profit/(loss)	53,339	(2,497)	50,842
Interest income			300
Unallocated expenses			(17,504)
Share of loss of a joint venture			(5)
Finance costs			(973)
Profit before tax			32,660

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of interest income, loss from changes in fair value of financial assets at fair value through profit or loss, central administration costs, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	2019 HK$'000	2018 HK$'000
Segment assets		
Formwork works	245,047	216,510
Building construction works	860	986
Total segment assets	245,907	217,496
Unallocated	187,617	106,675
Consolidated assets	433,524	324,171
Segment liabilities		
Formwork works	88,139	74,102
Building construction works	8	8
Total segment liabilities	88,147	74,110
Unallocated	170,456	45,467
Consolidated liabilities	258,603	119,577

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and cash equivalents, tax recoverable, deferred tax assets, investment in a joint venture and unallocated corporate assets.

- all liabilities are allocated to operating segments other than bank borrowings, amount due to a joint venture, amount due to a related company, amount due to a director, tax payable, deferred tax liabilities and unallocated corporate liabilities.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2019

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	**9,621**	**–**	**9,621**
Depreciation of property, plant and equipment	**6,287**	**–**	**6,287**

For the year ended 31 March 2018

	Formwork works HK$'000	Building construction works HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	12,661	–	12,661
Depreciation of property, plant and equipment	4,128	–	4,128

Geographical information

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

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers for the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A[1]	228,150	245,779
Customer B[1]	164,673	N/A[2]
Customer C[1]	159,379	N/A[2]
Customer D[1]	N/A[2]	85,365
Customer E[1]	128,488	N/A[2]

1 Revenue from Formwork Works.

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

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income from cash and cash equivalents	268	284
Interest income from loan receivables	103	16
Rental income	1,842	158
Sales of scrap materials	39	68
Sundry income	152	433
	2,404	959

8. OTHER (LOSSES)/GAINS

	2019 HK$'000	2018 HK$'000
Loss from changes in fair value of financial assets at fair value through profit or loss	(36,565)	–
Net foreign exchange (loss)/gain	(6)	13
	(36,571)	13

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expense on:		
Bank loans and overdrafts	**789**	973
Amount due to a related company	**2,023**	–
	2,812	973

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**3,787**	3,950
– Over provision in prior year	**–**	(6)
	3,787	3,944
Deferred tax *(Note 26)*:		
Origination and reversal of temporary differences	**2,283**	1,436
	6,070	5,380

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

10. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/Profit before tax	(13,249)	32,660
Tax at Hong Kong Profits Tax rate of 16.5%	(2,186)	5,389
Tax effect of expenses not deductible for tax purpose	6,537	796
Tax effect of income not taxable for tax purpose	(44)	(47)
Tax effect of tax losses not recognised	1,984	425
Utilisation of tax losses previously not recognised	(11)	(1,176)
Over provision in prior year	–	(6)
Income tax at concessionary rate	(165)	–
Others	(45)	(1)
Tax charge for the year	6,070	5,380

11. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after charging:

	2019 HK$'000	2018 HK$'000
Directors' emoluments *(Note 12)*	7,691	8,273
Other staff costs	396,738	295,588
Contributions to retirement benefit scheme, excluding those of directors	14,094	10,530
Total staff costs	418,523	314,391
Less: Amounts charged to direct costs	(403,566)	(269,139)
Less: Amounts charged to administrative expenses	(14,957)	(16,077)
Amounts capitalised in contracts in progress	–	29,175
Depreciation of property, plant and equipment	6,287	4,128
Auditors' remuneration	800	680
Listing expenses	–	4,814

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and Chief Executive's emoluments

The emoluments paid or payable to the directors and Chief Executive Officer of the Company by the Group during the year were as follows:

For the year ended 31 March 2019

		Other emoluments		
Name of directors	Fees	Salaries and allowances	Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Leung Chi Kit	–	2,896	18	2,914
Ms. Tso Yuk Ching	–	2,115	18	2,133
Mr. Chow Dik Cheung	–	1,003	18	1,021
Mr. Chan Sik Mau	–	967	18	985
Mr. Xiong Wei *(note (a))*	–	90	5	95
Independent Non-executive Directors				
Mr. Chang Chun Pong *(note (b))*	181	–	–	181
Mr. Tsui Leung Cho *(note (b))*	181	–	–	181
Mr. Lam Kai Yeung *(note (b))*	181	–	–	181
	543	7,071	77	7,691

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and Chief Executive's emoluments *(Continued)*

For the year ended 31 March 2018

Name of directors	Fees	Other emoluments: Salaries and allowances	Other emoluments: Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Leung Chi Kit	–	3,473	18	3,491
Ms. Tso Yuk Ching	–	2,248	18	2,266
Mr. Chow Dik Cheung	–	1,117	18	1,135
Mr. Chan Sik Mau	–	961	18	979
Independent Non-executive Directors				
Mr. Chang Chun Pong *(note (b))*	134	–	–	134
Mr. Tsui Leung Cho *(note (b))*	134	–	–	134
Mr. Lam Kai Yeung *(note (b))*	134	–	–	134
	402	7,799	72	8,273

Notes:

(a) Appointed on 5 July 2018 and resigned on 10 October 2018.

(b) Appointed on 23 May 2017.

Mr. Chow Dik Cheung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.

The Executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The Independent Non-executive Directors' remuneration shown above were mainly for their services as directors of the Company.

None of the Company's directors waived or agreed to waive any emoluments during the year (2018: Nil).

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

The five highest paid employees of the Group during the year included four (2018: three) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2018: two) highest paid employees who are neither a director nor Chief Executive Officer of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	748	2,047
Contributions to retirement benefit scheme	18	36
Total emoluments	766	2,083

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2019 (Number of employees)	2018 (Number of employees)
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	2
	1	2

During the year, no emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

13. (LOSS)/EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic (loss)/earnings per share ((Loss)/Profit for the year attributable to owners of the Company)	**(19,319)**	27,280

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,500,000**	1,446,904

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 has been adjusted for the capitalisation issue on 16 June 2017.

No diluted (loss)/earnings per share for the years ended 31 March 2019 and 2018 were presented as there were no potential ordinary shares in issue for both years.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicle HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Tools HK$'000	Total HK$'000
Cost						
As at 1 April 2017	727	2,210	81	392	9,939	13,349
Additions	–	–	130	–	12,234	12,364
As at 31 March 2018	727	2,210	211	392	22,173	25,713
Additions	–	859	69	–	8,693	9,621
As at 31 March 2019	727	3,069	280	392	30,866	35,334
Accumulated depreciation						
As at 1 April 2017	194	510	27	290	1,140	2,161
Provided for the year	145	442	21	38	3,482	4,128
As at 31 March 2018	339	952	48	328	4,622	6,289
Provided for the year	146	614	49	36	5,442	6,287
As at 31 March 2019	485	1,566	97	364	10,064	12,576
Carrying amounts						
As at 31 March 2019	**242**	**1,503**	**183**	**28**	**20,802**	**22,758**
As at 31 March 2018	**388**	**1,258**	**163**	**64**	**17,551**	**19,424**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	20%
Motor vehicle	20%
Office equipment	20%
Furniture and fixtures	20%
Tools	20%

16. INVESTMENT IN/AMOUNT DUE TO A JOINT VENTURE

	2019 **HK$'000**	2018 HK$'000
Cost of unlisted investment in joint venture	**5**	5
Share of post-acquisition loss and other comprehensive income	**(5)**	(5)
	–	–

The amount due to a joint venture is non-trade nature, unsecured, interest-free and repayable on demand.

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of joint venture	Place of incorporation/ operations	Proportion ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2019	2018	**2019**	2018	
New Allied (H.K.) Limited	Hong Kong	**50%**	50%	**50%**	50%	Provision of building maintenance and renovation services

16. INVESTMENT IN/AMOUNT DUE TO A JOINT VENTURE *(Continued)*

Summarised financial information of joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2019 HK$'000	2018 HK$'000
Current assets	10	10
Non-current assets	–	–
Current liabilities	(9)	(9)
Non-current liabilities	–	–
	1	1

	2019 HK$'000	2018 HK$'000
Revenue	–	–
Loss for the year	–	(9)
Other comprehensive income for the year	–	–
Total comprehensive expense for the year	–	(9)
Dividends received from the joint venture during the year	–	–

16. INVESTMENT IN/AMOUNT DUE TO A JOINT VENTURE *(Continued)*

Summarised financial information of joint venture *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint venture recognised in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Net assets of the joint venture	1	1
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	–	–

17. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	91,462	69,541
Retention money receivables	–	38,055
Prepayments	213	154
Deposits and other receivables	2,829	313
	94,504	108,063

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aging analysis of the Group's trade receivables at the end of the reporting period, presented based on the progress payment certificate date:

	2019 HK$'000	2018 HK$'000
0–30 days	49,373	39,053
31–60 days	22,687	15,640
Over 60 days	19,402	14,848
	91,462	69,541

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivable balance as at 31 March 2018 were debtors with aggregate carrying amount of approximately HK$26,846,000 which was past due as at the reporting date for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2018 HK$'000
Overdue by:	
1–30 days	14,981
31–60 days	2,182
Over 60 days	9,683
	26,846

Retention money receivables in respect of the contract work are settled in accordance with the terms of the respective contracts. As at 31 March 2018, the retention money receivables held by customers for contract work that were expected to be recovered or settled in more than twelve months from the end of the reporting period are as follows:

	2018 HK$'000
Retention money receivables after one year	35,713

Upon application of HKFRS 15, the retention money receivables were reclassified to contract assets.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 35.

18. CONTRACT ASSETS

	31/03/2019 HK$'000	01/04/2018* HK$'000
Unbilled revenue *(note (a))*	65,684	77,461
Retention money receivables *(note (b))*	63,169	38,055
	128,853	115,516

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

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention money receivables included in contract assets represents the Group's right to receive consideration for work performed 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.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. Those expected to be realised more than twelve months are as follows:

	31/03/2019 HK$'000	01/04/2018 HK$'000
Retention money receivables after one year	59,141	35,713

Details of the impairment assessment are set out in note 35.

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

	2018 HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses	2,329,480
Less: progress billings received and receivable	(2,246,277)
	83,203
Analysed for reporting purposes as:	
Amounts due from customers for contract work	89,861
Amounts due to customers for contract work	(6,658)
	83,203

20. CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Bank balances and cash	**48,841**	92,438
Cash held by securities broker	**132,847**	–
	181,688	92,438

Bank balances comprise short-term bank deposits with an original maturity of three months or less at the end of the reporting period. The bank balances carry interest at market rates which range from 0.01% to 1.10% (2018: 0.01% to 0.90%).

21. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	19,365	15,652
Advances received from customers for contract work	–	10,615
Accruals and other payables		
– Accrued salaries	32,733	29,251
– Accrued sub-contracting fee	29,495	7,657
– Others	7,705	4,722
	89,298	67,897

The following is an aging analysis of the Group's trade payables at the end of the reporting period, presented based on the invoice date:

	2019 HK$'000	2018 HK$'000
0–30 days	1,421	6,472
31–60 days	1,602	1,461
61–90 days	4,864	4,081
Over 90 days	11,478	3,638
	19,365	15,652

At the end of the reporting period, the amount due to a connected party included in the Group's trade payables is as follows:

	2019 HK$'000	2018 HK$'000
King Fu Plastic Products Limited ("**King Fu**")	3,663	3,047

King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Ms. Tso Yuk Ching respectively.

22. CONTRACT LIABILITIES

	31/03/2019	01/04/2018*
	HK$'000	HK$'000
Advances from customers	–	17,273

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

When the Group receives advances from customers before the construction activity commences, this will give rise to contract liabilities, until the revenue recognised on the relevant contract exceeds the amount of the advances from customers.

Revenue from construction contracts recognised during the year ended 31 March 2019 that was included in the contract liabilities at the beginning of the year was approximately HK$17,273,000.

23. AMOUNT DUE TO A RELATED COMPANY

The amount represents a balance due to Century Bond Limited ("**Century Bond**"), a company controlled by Mr. Leung Chi Kit, a director of the Company. The amount due to a related company is non-trade nature, unsecured, interest-bearing at 2% per annum and repayable on demand.

24. AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-trade nature, unsecured, interest-free and repayable on demand.

25. BANK BORROWINGS

	2019	2018
	HK$'000	HK$'000
Secured bank loans repayable within one year but contain a repayment on demand clause	–	41,712

At 31 March 2018, the Group's bank loans carried interest at HIBOR plus 2.25% or 2.5% per annum.

At 31 March 2018, the Group's variable-rate bank loans were secured by (i) charge over the Group's trade receivables and retention money receivables with an aggregate amount of approximately HK$106,736,000; and (ii) corporate guarantees executed by the Company for HK$70,000,000.

26. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**2,294**	4,353
Deferred tax liabilities	**(2,196)**	(1,972)
	98	2,381

The following is the major deferred tax assets/(liabilities) recognised and movements thereon during the year:

	Unrealised profits of intercompany transactions HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
As at 1 April 2017	4,883	(1,066)	3,817
Charge to profit or loss	(530)	(906)	(1,436)
As at 31 March 2018	4,353	(1,972)	2,381
Charge to profit or loss	(2,059)	(224)	(2,283)
As at 31 March 2019	**2,294**	**(2,196)**	**98**

As at 31 March 2019, the Group has unused tax losses of approximately HK$12,158,000 (2018: HK$2,893,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams in the respective entities. The tax losses may carry forward indefinitely.

In addition, the Group did not recognise deferred tax asset in respect of deductible temporary differences associated with decelerated tax depreciation amounting to approximately HK$2,000 (2018: HK$3,000) as at 31 March 2019 due to the unpredictability of future profit streams in the respective entities.

27. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 April 2017		39,000	390
Increase in authorised share capital	(a)	3,081,000	30,810
As at 31 March 2018 and 31 March 2019		**3,120,000**	**31,200**
Issued and fully paid:			
As at 1 April 2017		10	–
Issue of new shares	(b)	255,000	2,550
Capitalisation issue	(c)	1,244,990	12,450
As at 31 March 2018 and 31 March 2019		**1,500,000**	**15,000**

Notes:

(a) On 23 May 2017, the authorised share capital of the Company increased from HK$390,000 to HK$31,200,000 by the creation of an additional 3,081,000,000 new shares of HK$0.01 each.

(b) On 16 June 2017, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of its share offer of 375,000,000 shares (comprising 255,000,000 new shares and 120,000,000 sale shares) issued at a price of HK$0.38 per share.

(c) Pursuant to the written resolutions passed by the shareholder of the Company on 23 May 2017, conditional upon the share premium account of the Company being credited as a result of the listing of the Company on the Main Board of the Stock Exchange, the directors of the Company were authorised to capitalise the amount of HK$12,449,900 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 1,244,990,000 shares for allotment and issue to Five Continental. The capitalisation issue has been completed on 16 June 2017.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 23 May 2017 and will expire on 22 May 2027. The purpose of the Share Option Scheme is to provide directors, employees of any member of the Group and other eligible participants who have made contributed or will contribute to the Group with an opportunity to acquire proprietary interests in the Company and to motivate eligible participants to optimise their performance and efficiency for the benefit of the Group and maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible participants to subscribe for shares in the Company.

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 of the Company in issue at any point in time. 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 total number of the Company's share in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Board of Directors may determine which shall not exceed 10 years from the date of grant. The exercise price is determined by the Board of Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share option has been granted since the adoption of the Share Option Scheme.

29. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of relevant payroll costs to the scheme, which contribution is matched by employees and subject to a monthly cap of HK$1,500 for each employee.

The total expenses recognised in profit or loss amount to approximately HK$14,171,000 (2018: HK$10,602,000) for the year and represent contributions payable to this scheme by the Group at rate specified in the rules of the scheme.

30. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Transactions with connected or related parties

During the year, the Group entered into the following significant transactions with connected or related parties:

Name of connected/ related party	Nature of transaction	2019 HK$'000	2018 HK$'000
King Fu	Purchases of tools and materials *(note (iv))*	**11,993**	9,601
Hoover Construction & Engineering Limited ("**Hoover**") *(note (i))*	Revenue from formwork works *(note (v))*	**–**	707
Five Dragons Properties Limited ("**Five Dragons Properties**") *(note (ii))*	Rent *(note (vi))*	**631**	616
San Yip Decoration Company Limited ("**San Yip**") *(note (iii))*	Interest income *(note (vii))*	**103**	16
	Rental income *(note (viii))*	**203**	158
Century Bond	Interest expense *(note (ix))*	**2,023**	–

Notes:

(i) Hoover is a company in which Mr. Chow Siu Yu, one of the controlling shareholders, has significant influence.

(ii) Five Dragons Properties is a company in which Mr. Leung Chi Kit and Ms. Tso Yuk Ching, the directors of the Company, have beneficial interests.

(iii) San Yip is a company in which Mr. Leung Chi Kit, the director of the Company, has significant influence.

(iv) The purchases of tools and materials were made according to market prices.

(v) The construction contracts were made in accordance with market prices and conditions similar to those offered to major customers of the Group.

(vi) The rental expenses are based on tenancy agreements entered into between the parties involved.

(vii) The interest income is charged at a rate with reference to the prevailing market rate.

(viii) The rental income is charged at a rent with reference to the prevailing market rent.

(ix) The interest expense is charged at 2% per annum.

30. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with connected or related parties

Details of outstanding balances with connected or related parties of the Group at the end of the reporting period are set out in notes 16, 21, 23 and 24.

(c) Compensation to key management personnel

Compensation to key management personnel of the Group which represents directors of the Company, during the year are as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	7,614	8,201
Post-employment benefits	77	72
	7,691	8,273

31. OPERATING LEASES

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid under operating leases		
– Premises	2,260	1,148
– Equipment	5,174	3,562
	7,434	4,710

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

	2019 HK$'000	2018 HK$'000
Within one year	1,968	684
In the second to fifth years inclusive	315	385
	2,283	1,069

Operating lease payments represent rentals payable by the Group for its premises and equipment. Leases are negotiated for an average term of 2 years and rentals are fixed throughout the lease period.

32. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	1,462

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000	Amount due to ultimate holding company HK$'000	Amount due to a joint venture HK$'000	Amount due to a related company HK$'000	Amount due to a director HK$'000	Total HK$'000
As at 1 April 2017	27,527	150	–	–	105	27,782
Financing cash flows	14,185	(150)	–	–	(105)	13,930
Formation of joint venture	–	–	5	–	–	5
As at 31 March 2018	41,712	–	5	–	–	41,717
Financing cash flows	(41,712)	–	–	135,000	30,078	123,366
Interest expense	–	–	–	2,023	–	2,023
As at 31 March 2019	–	–	5	137,023	30,078	167,106

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the 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.

The capital structure of the Group consists of debt (which includes bank borrowings, amount due to a joint venture, amount due to a related company and amount due to a director) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group monitors its capital structure on the basis of gearing ratio. The Group considers the cost of capital and the risks associated with each class of the capital, and will balance the gearing ratio through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at the end of the reporting period was as follows:

	2019 HK$'000	2018 HK$'000
Debt	167,106	41,717
Equity	174,921	204,594
Gearing ratio	96%	20%

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	94,291	–
– Cash and cash equivalents	181,688	–
	275,979	–
Loans and receivables		
– Trade and other receivables	–	107,909
– Cash and cash equivalents	–	92,438
	–	200,347
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	89,298	57,282
– Amount due to a joint venture	5	5
– Amount due to a related company	137,023	–
– Amount due to a director	30,078	–
– Bank borrowings	–	41,712
	256,404	98,999

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables, amount due to a joint venture, amount due to a related company, amount due to a director and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

Foreign currency risk

The Group has certain financial assets denominated in foreign currencies, which exposure to the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2019	2018
	HK$'000	HK$'000
Monetary assets denominated in:		
– Renminbi ("**RMB**")	**96**	102

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate advance from a related company and fixed-rate short term bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's bank loans denominated in HK$.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loans at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would decrease/ increase by approximately HK$174,000. This is mainly attributable to the Group's exposure to interest rate risk on its variable-rate bank loans.

At 31 March 2019, the Group had no variable-rate bank loans. Hence, no sensitivity analysis is presented.

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Deposits and other receivables

The management of the Group regularly reviews and assesses the credit quality of the counterparties. The Group assesses the loss allowance for deposits and other receivables on 12m ECL basis as there had been no significant increase in credit risk since initial recognition (2018: incurred loss model). In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents

The credit risk on liquid funds is limited because the counterparties are banks and securities broker with good reputation or high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks and securities broker, the Group has concentration of credit risk on trade receivables and contract assets as 21% (2018: 29%) and 66% (2018: 81%) of total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past due amounts or has past due amounts which are past due less than 30 days	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

2019	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount
				HK$'000
Financial assets at amortised cost:				
Trade receivables	N/A	Low risk *(Note 1)*	Lifetime ECL	91,462
Deposits and other receivables	N/A	Low risk *(Note 2)*	12m ECL	2,829
Bank balances	A2 to Aa1	N/A	12m ECL	48,795
Cash held by securities broker	N/A	Low risk *(Note 3)*	12m ECL	132,847
Other items:				
Contract assets	N/A	Low risk *(Note 1)*	Lifetime ECL	128,853

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. The trade receivables and contract assets are assessed for ECL individually.

   The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for financial capability of the individual debtors and forward-looking information that is available without undue cost or effort.

   During the year ended 31 March 2019, no impairment allowance for trade receivables and contract assets has been provided as the historical default rates are low.

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The deposits and other receivables as disclosed above are not past due.

3. This financial asset is considered to have low credit risk as the financial asset has a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

No loss allowance has been recognised based on lifetime ECL or 12m ECL as any such impairment would be wholly insignificant to the Group.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity table

Non-derivative financial liabilities	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Total carrying amount
		HK$'000	HK$'000	HK$'000
2019				
Trade and other payables	–	89,298	89,298	89,298
Amount due to a joint venture	–	5	5	5
Amount due to a related company	2%	137,023	137,023	137,023
Amount due to a director	–	30,078	30,078	30,078
		256,404	256,404	256,404
2018				
Trade and other payables	–	57,282	57,282	57,282
Amount due to a joint venture	–	5	5	5
Bank borrowings	3.08%	41,712	41,712	41,712
		98,999	98,999	98,999

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The expected cash flow information of such bank loans (based on the schedule of repayments set out in the loan agreements) are set out in the table below.

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 3 months	Between 3 months and 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2019	**–**	**–**	**–**	**–**
At 31 March 2018	30,159	11,883	42,042	41,712

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Paid up issued capital	Proportion ownership interest held by the Company 2019	2018	Principal activities
Hin Lone Holdings Limited	The British Virgin Islands	Ordinary	US$1	**100% (direct)**	100% (direct)	Investment holding
Mega Builder Holdings Limited	The British Virgin Islands	Ordinary	US$100	**100% (direct)**	–	Investment holding
Giant Dragon Holdings Limited	The British Virgin Islands	Ordinary	US$100	**100% (direct)**	–	Securities investment
Leung Pui Form Mould & Engineering Co. Limited	Hong Kong	Ordinary	HK$20,000	**100% (indirect)**	100% (indirect)	Timber formwork and metal formwork
Five Dragons Form Mould Limited	Hong Kong	Ordinary	HK$1	**100% (indirect)**	100% (indirect)	Timber formwork and metal formwork
Ho Yip Construction Company Limited	Hong Kong	Ordinary	HK$20,000	**100% (indirect)**	100% (indirect)	Building construction works
Mastery Engineering Limited	Hong Kong	Ordinary	HK$100,000	**100% (indirect)**	100% (indirect)	Timber formwork
Kin Wo Form Mould Engineering Limited	Hong Kong	Ordinary	HK$1	**100% (indirect)**	100% (indirect)	Timber formwork
China Sino International Limited	Hong Kong	Ordinary	HK$100	**100% (indirect)**	–	Inactive

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

As at 31 March 2019

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	2	–
Current assets		
Amounts due from subsidiaries	74,853	32,929
Prepayments	208	149
Bank balances	383	53,774
	75,444	86,852
Current liabilities		
Accruals	1,123	445
Net current assets	74,321	86,407
Total assets less current liabilities	74,323	86,407
Capital and reserves		
Share capital	15,000	15,000
Reserves	59,323	71,407
Total equity	74,323	86,407

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 26 June 2019 and are signed on its behalf by:

Leung Chi Kit
Director

Chow Dik Cheung
Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves:

	Share premium HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
As at 1 April 2017	–	88	88
Loss and total comprehensive expense for the year	–	(4,375)	(4,375)
Issue of new shares	94,350	–	94,350
Expenses incurred in connection with issue of new shares	(6,206)	–	(6,206)
Capitalisation issue	(12,450)	–	(12,450)
As at 31 March 2018	75,694	(4,287)	71,407
Loss and total comprehensive expense for the year	–	(12,084)	(12,084)
As at 31 March 2019	**75,694**	**(16,371)**	**59,323**

5 YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**850,565**	576,856	770,159	599,354	483,330
(Loss)/Profit before tax	**(13,249)**	32,660	84,089	55,104	35,668
Income tax expense	**6,070**	5,380	16,518	8,949	5,936
(Loss)/Profit and total comprehensive (expense)/ income for the year	**(19,319)**	27,280	67,571	46,155	29,732
(Loss)/Profit and total comprehensive (expense)/ income for the year attributable to owners of the Company	**(19,319)**	27,280	67,571	46,155	29,732

	At 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**433,524**	324,171	234,510	141,043	134,861
Total liabilities	**258,603**	119,577	147,890	118,994	95,450
Net assets	**174,921**	204,594	86,620	22,049	39,411
Total equity	**174,921**	204,594	86,620	22,049	39,411

Note: The figures for the years ended 31 March 2015 and 2016 have been extracted from the Company's Prospectus dated 31 May 2017.

This report is published in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.