

Wing Chi Holdings Limited 榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6080



2019

Annual Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Cheuk Kam (*Chairman and Chief Executive Officer*)
Mr. Li Wai Fong
Mr. Liauw Hung

Non-executive Director

Mr. Poon Wai Kong (Appointed on 12 October 2018)

Independent Non-executive Directors

Mr. Wong Chik Kong
Mr. Chan Chung Kik, Lewis
Mr. Lee Kwok Lun

AUDIT COMMITTEE

Mr. Chan Chung Kik, Lewis (*Chairman*)
Mr. Wong Chik Kong
Mr. Lee Kwok Lun

NOMINATION COMMITTEE

Mr. Li Cheuk Kam (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Wong Chik Kong
Mr. Lee Kwok Lun

REMUNERATION COMMITTEE

Mr. Wong Chik Kong (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Lee Kwok Lun
Mr. Li Cheuk Kam

COMPANY SECRETARY

Ms. Li Mei Wai

AUTHORISED REPRESENTATIVES

Mr. Li Cheuk Kam
Ms. Li Mei Wai

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

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

COMPLIANCE ADVISER

Dakin Capital Limited
Suites 4505-06
45/F, Tower 1, Lippo Centre
89 Queensway
Hong Kong

PRINCIPAL BANKS

Nanyang Commercial Bank, Ltd.

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
43rd Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

TC & Co.
Solicitors, Hong Kong
Units 2201-3, 22/F
Tai Tung Building
8 Fleming Road
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COMPANY'S WEBSITE

www.wingchiholdings.com

STOCK CODE

6080

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Wing Chi Holdings Limited (the “**Company**”, which, together with its subsidiaries, is referred to as (the “**Group**”), I am delighted to report the annual results of the Group for the year ended 31 March 2019.

The Group is a Hong Kong based subcontractor principally engaged in the foundation and site formation works. This year is a difficult year for the Group. For the year ended 31 March 2019, the Group recorded revenue of approximately HK\$392.5 million, representing a decrease of approximately 26.7% as compare to the corresponding year ended 31 March 2018. The Group's loss attributable to Shareholders of the Company for the year ended 31 March 2019 was approximately HK\$34.5 million. Such decrease is mainly attributable to the combined effect of a substantial decrease in revenue from foundation and site formation work due to (i) delay in commencement of new projects being awarded to the Group and (ii) substantial completion of the projects during the year ended 31 March 2018; (iii) substantial decrease in revenue from machinery leasing due to fewer civil works projects available in the market; and (iv) decrease in gross profit margin due to (a) substantial loss being incurred in some of the project works and variation orders of the completed projects; (b) additional resources being required to deal with unforeseen ground conditions and site constraints in several construction projects; (c) serious delay in works area handover by clients; and (d) discontinuity of works which in turn impaired the construction efficiency.

The Group is facing global economy uncertainty, slow approval process of Government projects from the Legislative Council of Hong Kong Special Administration Region of the People's Republic of China (the “**HKSAR**”) and keen competition in the construction industry. Other than the keen competition in the market, the continuous increase in the labour and material costs undoubtedly increased the overall operational risks of the industry players. The Directors are aware that there are fewer large-scale Government infrastructure works as before and the market competition is becoming more vigorous. Therefore, the profit margin of project works is under pressure due to lower bidding price on tenders which might in turn affect the performance of the Group.

However, according to the 2018/19 Annual Land Sales Programme, the Government planned to sell 27 private residential sites which can be developed into about 15,200 residential units, suggesting that the demand for site formation and foundation works in the private sector for the year will increase. In addition, there are many public construction plans in Hong Kong such as the Hong Kong International Airport three-runway system project and the 450,000 units of estimated supply of housing in the long term housing target for the ten-year period from 2019-20 to 2028-2029 suggested by the Transport and Housing Bureau in December 2018. In view of this, the Directors of the Group still remain positive for the industry market. The Group will closely monitor the market and respond to changes in market conditions. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to the customers.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, suppliers, subcontractors, other business partners and our Shareholders for their continuous support. I would like to also thank the management team and my fellow staff members for their continuous trust and support.

Li Cheuk Kam

Chairman

Hong Kong, 6 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the consolidated annual results of the Group for the year ended 31 March 2019 together with the corresponding year ended 31 March 2018.

BUSINESS REVIEW AND OUTLOOK

The Group is a Hong Kong-based subcontractor engaged in foundation and site formation works. The foundation and site formation works provided by the Group represent the projects undertaken by it, the nature of which is broadly classified as excavation and lateral support (“**ELS**”) works, pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machineries. Lik Shing Engineering Company Limited, the Group’s principal operating subsidiary, has been registered under the Construction Industry Council as a registered subcontractor since May 2008.

During the year ended 31 March 2019, the Group is facing challenging market and economic environment. However, the investment in housing demand and infrastructural construction works still remain focus by the Hong Kong Government. There are some major projects such as “New Territories Brownfield”, “Kai Tak Development”, “Development of Anderson Road Quarry Site” and “Formation and Engineering Infrastructure Works at Kwu Tung North, Fanling North New Development Areas” and “Three Runway System” which provide potential development opportunities for the market. Therefore, the Group is still confident to the construction industry in Hong Kong. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to the customers.

FINANCIAL REVIEW

During the year ended 31 March 2019, the Group had been awarded 19 new contracts, with an aggregate original contract sum of approximately HK\$306.7 million and had completed 28 projects with an aggregate original contract sum of approximately HK\$465.4 million.

As at 31 March 2019, the Group had 11 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total original contract sum of approximately HK\$284.6 million.

Revenue

The revenue from foundation and site formation works of the Group for the year ended 31 March 2019 amounted to approximately HK\$381.6 million, representing a decrease of approximately HK\$137.5 million, or 26.5% as compared to that of approximately HK\$519.1 million for the year ended 31 March 2018. The decrease was primarily due to delay in commencement of new projects awarded to the Group and substantial completion of the projects during the year ended 31 March 2018 including the Hong Kong-Zhuhai-Macao Bridge project, Tseung Kwan O Area 65C2 phase 1 project, No. 15 Middle Road project and Fuk Wing Street project, which contributed less revenue during the year ended 31 March 2019.

The revenue from machinery leasing of the Group for the year ended 31 March 2019 amounted to approximately HK\$11.0 million, representing a decrease of approximately HK\$5.4 million, or 32.9% as compared to that of approximately HK\$16.4 million for the year ended 31 March 2018. This amount represents the revenue contributed by the Group’s leasing of its machinery to contractors and/or subcontractors under operating leases. The decrease was primarily due to fewer civil works projects available in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The gross loss of the Group for the year ended 31 March 2019 amounted to approximately HK\$12.4 million, as compared to gross profit of approximately HK\$54.5 million for the year ended 31 March 2018. The gross loss margin of the Group during the year ended 31 March 2019 was approximately 3.2%, as compared to gross profit margin of approximately 10.2% for the year ended 31 March 2018.

The decline in gross profit margin was mainly due to (a) substantial loss being incurred in some of the project works and variation orders of the completed projects; (b) additional resources being required to deal with unforeseen ground conditions and site constraints in several construction projects; (c) serious delay in works area handed over by clients; (d) discontinuity of works which in turn impaired the construction efficiency; and (e) decrease in gross profit margin of newly awarded contracts of the Group during the year ended 31 March 2019 as a result from the increasing competition in the market.

The Group prices its services based on various factors, among others, the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group. On the other hand, the Group prices its leasing machinery based on the procurement cost and the expected profit margin.

Other Income

The other income of the Group for the year ended 31 March 2019 amounted to approximately HK\$1.3 million, representing a decrease of approximately HK\$0.1 million or 7.1% as compared to approximately HK\$1.4 million for the year ended 31 March 2018.

The other income is mainly related to fair value gain on investment property. The decrease of other income was primarily due to no Government subsidy in relation to the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" during the year ended 31 March 2019.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2019 amounted to approximately HK\$21.2 million, representing a decrease of approximately HK\$17.0 million or 44.5% as compared to approximately HK\$38.2 million for the year ended 31 March 2018. The decrease was primarily due to the one-off listing expenses of approximately HK\$16.4 million was recognised for the year ended 31 March 2018 but nil in 2019.

Finance Costs

The finance costs of the Group for the year ended 31 March 2019 amounted to approximately HK\$0.3 million, representing a decrease of approximately HK\$0.3 million or 50.0% as compared to approximately HK\$0.6 million for the year ended 31 March 2018. The decrease was primarily due to the decrease in borrowings during the year ended 31 March 2019 as compared to the corresponding period in 2018.

Income Tax

The income tax of the Group for the year ended 31 March 2019 amounted to approximately HK\$1.9 million, representing a decrease of approximately HK\$3.3 million or 63.5% as compared to that of approximately HK\$5.2 million for the year ended 31 March 2018. The decrease was mainly due to the absence of assessable profits of Hong Kong Profits Tax for one of the operative subsidiaries during the year ended 31 March 2019. The income tax expenses are mainly related to the movement of the deferred tax during the year.

(Loss)/Profit attributable to owners of the Company

The Group reported net loss of approximately HK\$34.5 million for the year ended 31 March 2019 as compared to the profit attributable to owners of the Company of approximately HK\$12.0 million for the year ended 31 March 2018. The decrease was mainly attributable to the gross loss during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from Shareholders, bank borrowings, cash inflows from operating activities.

As at 31 March 2019, the Group had bank balances and cash of approximately HK\$51.3 million (31 March 2018: approximately HK\$89.5 million). The decrease was mainly due to the aggregate net cash used in operation, investing and financing activities of approximately HK\$38.2 million.

As at 31 March 2019, the Group had total debt including bank borrowings and obligations under finance leases of approximately HK\$5.8 million (31 March 2018: approximately: HK\$6.8 million) denominated in Hong Kong dollars. Details of the bank borrowings and obligations under finance leases are set out in note 22 and 23 respectively to the consolidated financial statements in the annual report. The gearing ratio of the Group, calculated by the total debts (defined as the sum of bank borrowings and obligations under finance leases) divided by the total equity is approximately 3.4% (31 March 2018: 3.3%).

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2019, the Group's plant and equipment with an aggregate net book value of approximately HK\$5.3 million (31 March 2018: HK\$5.3 million) were pledged under finance lease, while investment property of approximately HK\$7.6 million (31 March 2018: HK\$6.9 million) has been pledged to secure banking facilities granted to the Group.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2019.

RISKS AND UNCERTAINTIES

The Group's operation is subject to the general economic environment and market risks which may affect our business performance. The Group believe that there are certain risks involved in our business and operations which can be summarised as follows:

Business risks

The Group's revenue is mainly derived from foundation and site formation works which are not recurring in nature and any decrease in the number of construction projects awarded would affect the Group's operational and financial results. In addition, the Group determines the price of tenders for construction projects based on the estimated time and costs involved in the construction project concerned, and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affect our operations and financial results.

The Group involved in certain construction litigation and disputes which may adversely affect the Group's financial performance and reputation. On the other hand, the Group's liquidity position may be affected by delays or defaults of progress payments of retention monies by customers which would adversely affect the Group's cash flows or financial results.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and market risks

The construction industry is highly competitive. There are a significant number of industry players who provide similar services as ours. The Group is also facing changes in existing laws, regulations and the Government policies, including the introduction of more stringent laws and regulations on environment protection and labour safety which may cause the Group to incur substantial additional revenue expenditure.

All of the Group's revenue was derived in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on the construction industry in general, the Group's overall business and results of operations may be materially and adversely affected. The state of political environment in Hong Kong may adversely affect the Group's performance and financial condition.

Construction machinery rental service is constrained by the rules and regulation imposed by the Environmental Protection and Labour Department of HKSAR. New legal challenges and policies could be released due to the change of environmental and social issues. Such changes will lead to increase of cost and burden for the Group. In light of such potential risk, we have acquired new environmental type of machineries to replace the old ones so to meet the environmental requirements and protect the public health.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material respects with the applicable laws and regulations that have a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

To maintain continuous growth of the business operation, the Group recognises that employees, customers and suppliers are the keys to its sustainable development. The Group maintains good relationship with its employees, customers and suppliers.

Employees

The Group recognises that employees as valuable assets for the delivery of quality services and works to its customers. Therefore, the Group provides comprehensive and competitive remuneration package, build a stable workforce and cultivate a harmonious workplace to attract, motivate and retain appropriate and suitable employees to serve the Group. The Group has implemented a performance appraisal system with appropriate incentives to motivate and reward employees at all levels. In addition, the Group recognises the importance of enriching the knowledges and skills of our employees for sustainable business development. Thus, the Group provides appropriate on-the-job-training and development opportunities in order to attain the employees' best performance.

Customers

The Group endeavours to maintain a good and long-term business relationship with customers by delivering our quality services to satisfy their needs. Hence, the Group regularly engages with customers through a variety of communication channels, such as regular reviews and analysis on customer feedback to understand customers' needs and expectation. All feedback collected are valued by management and are reviewed and duly considered in the decision-making processes.

MANAGEMENT DISCUSSION AND ANALYSIS

Suppliers and sub-contractors

The Group maintains stable working relationships with suppliers and sub-contractors in order to ensure that good quality of works and services will be provided to the Group. The Group's management conducts periodic performance reviews with suppliers and sub-contractors. When selecting major suppliers and sub-contractors, the Group will perform an analysis on the ability of the suppliers and sub-contractors such as the quality of products or services, delivery schedules, experience, track record, financial history and reputation.

CAPITAL EXPENDITURE

During the year ended 31 March 2019, the Group invested approximately HK\$22.3 million on acquisition of machineries and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases and internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in this report, the Group had no material capital commitments or contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2019, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 September 2017 (the "**Prospectus**"), the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group employed a total of 253 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 224 employees as at 31 March 2018. Total staff costs which include Directors' emoluments for the year ended 31 March 2019 was approximately HK\$77.9 million (year ended 31 March 2018: approximately HK\$71.3 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in the annual report.

During the year ended 31 March 2019, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds of the share offer received by the Company in relation to the listing of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on 20 October 2017 and full exercise of the over-allotment option on 7 November 2017 were approximately HK\$103.9 million in aggregate, after deducting listing related expenses. The Board consider that these proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus. The table below sets out the proposed applications of the net proceeds and usage as at 31 March 2019:

	Planned use of net proceeds HK\$' million	Actual usage up as at 31 March 2019 HK\$' million	Unutilised amount as at 31 March 2019 HK\$' million
Acquire new machinery and equipment	40.6	29.0	11.6
Reserve more capital to satisfy the potential requirement for surety bond	31.3	13.2	18.1
Strengthen the manpower	23.1	17.9	5.2
General working capital	8.9	8.9	–
	103.9	69.0	34.9

The planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and industry.

The unutilised amounts of the net proceeds from the Listing will be applied in the manner consistent with that mentioned in the Prospectus. The unutilised amount had been deposited with licensed banks in Hong Kong.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to Shareholders of the Company for the year ended 31 March 2019.

FUTURE PROSPECTS

The global economic environment has been slowed down notably and increase in trade tensions with the United States had been affecting business confidence. The environment of the foundation and site formation market in Hong Kong continued to be highly competitive due to a large number of competitors and relatively fewer contracts in the civil public sector. In response to this situation, the Group had to lower the tender prices to maintain its market position. The Group will continue to focus on improving cost control measures on projects, strengthening project managements teams and increasing our production efficiency. Nevertheless, the Hong Kong Government remain focus on Hong Kong's land supply for private and residential housing and commercial buildings. Therefore, the Group is confident that the construction industry in Hong Kong will remain positive in the future.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LI Cheuk Kam (李灼金) (“Mr. Li”), aged 52, was appointed as the Chairman of the Group on 13 March 2017. He is one of the controlling shareholders, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Li is the founder of our Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Li has over 30 years of experience in the construction industry in Hong Kong. He is primarily responsible for the overall business development strategy and for overseeing day-to-day management of site operations of our Group. Mr. Li is the brother of Mr. Li Wai Fong, our Executive Director. For Mr. Li’s interest in the Shares within the meaning of Part XY of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), please refer to the section headed “Directors’ Report” in this annual report.

Mr. LI Wai Fong (李偉芳) (“Mr. Li WF”), aged 44, was appointed as an Executive Director on 25 May 2017. He joined our Group as the Administration Manager in May 2014 and is primarily responsible for overseeing the administration matters of our Group.

Mr. Li Wai Fong obtained a Bachelor of Engineering Degree majoring in Automation in June 1999. Mr. Li WF has nearly 20 years of experience in management and sales and marketing. Mr. Li WF is the brother of Mr. Li, the chairman of the Board, chief executive officer of the Company and Executive Director.

Mr. LIAUW Hung (廖鴻) (“Mr. Liauw”), aged 40, was appointed as an Executive Director on 25 May 2017. Mr. Liauw has over 16 years of experience in the construction industry. He is primarily responsible for overseeing the project operations and technical aspects of various projects of our Group. Mr. Liauw obtained a Bachelor of Civil Engineering Degree from the University of Hong Kong in November 2001. He has been elected as a member and as a chartered professional engineer of the Engineers Australia by the Civil College in May 2005. He has also been admitted as a member of the Institution of Civil Engineers in the United Kingdom since October 2005 and registered by the Engineering Council UK as a chartered engineer since January 2006. Mr. Liauw has been admitted as a member of the Hong Kong Institution of Engineers in November 2010. He is currently registered as a registered professional engineer in Hong Kong. Mr. Liauw first joined our Group in June 2014 as a senior project manager till February 2016. He rejoined our Group as a general manager in December 2016.

NON-EXECUTIVE DIRECTOR

Mr. POON Wai Kong (潘偉剛) (“Mr. Poon”) has been appointed as a Non-executive Director with effect from 12 October 2018. Mr. Poon, aged 47, has over 25 years of experience in the accounting and financial industry. He obtained a Bachelor’s Degree in Economics from the University of London, United Kingdom in August 1995 and a Master’s Degree in Practising Accounting from the Monash University, Australia in September 1998. He also received a Master’s Degree in Business Administration and a Master’s Degree in Professional Accounting and Corporate Governance from the City University of Hong Kong in November 2000 and July 2009 respectively. He has been admitted as a member of the Hong Kong Institute of Chartered Secretaries since December 2009, a fellow of the Hong Kong Institute of Certified Public Accountants since May 2018 and a fellow of the Certified Practising Accountant (Australia) since May 2018. He has been appointed as a non-executive director of Tou Rong Chang Fu Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (stock code: 850), since January 2019. He was an executive director and the company secretary of Tou Rong Chang Fu Group Limited from March 2006 to January 2019 and from September 2006 to January 2019 respectively. From June 2015 to June 2018, he was an independent non-executive director of TC Orient Lighting Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 515).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chik Kong (黃植剛) (“Mr. Wong”), aged 46, was appointed as our Independent Non-executive Director on 21 September 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Mr. Wong obtained a Higher Diploma in Architectural Studies from the City University of Hong Kong in November 1995. Mr. Wong has over 20 years of experience in the construction industry. From September 1995 to June 1996, Mr. Wong worked as an architectural assistant in John Lee Architects and Associates Limited. From June 1996 to August 2004, Mr. Wong was employed by ELE Construction Company Limited as an assistant project manager where he was primarily responsible for project planning, cost control, supervision and co-ordination with consultants and sub-contractor for demolition, slope remedial, foundation and building projects. From September 2004 to July 2005, Mr. Wong worked as a quantity surveyor and engineer in Wise Trend Engineering Limited. From August 2005 to February 2006, Mr. Wong worked as an assistant project manager in New Hall Interior Company. From March 2006 to November 2006, Mr. Wong worked as a quantity surveyor and engineer in Wise Trend Engineering Limited and was then transferred to Wise Trend Construction & Engineering Limited as an assistant project manager and quantity surveyor in December 2006. Mr. Wong subsequently joined AVT Design Contracting Limited in September 2011 as a project director. He worked for that company since then. Mr. Wong has also been a director of AVT Engineering Limited since November 2015 where he was primarily responsible for project management, cost control and supervision.

Mr. CHAN Chung Kik, Lewis (陳仲戟) (“Mr. Chan”), aged 46, was appointed as our Independent Non-executive Director on 21 September 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company.

Mr. Chan obtained a Bachelor’s Degree of Commerce in Accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Practising Accountant (Australia). Mr. Chan has more than 20 years of experience in auditing, accounting and corporate finance.

Mr. Chan is the chief financial officer and one of the joint company secretaries of Denox Environmental & Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1452).

Mr. Chan is the independent non-executive director of (i) Kwan On Holdings Limited from March 2015 to September 2016, a company which was previously listed on GEM of the Stock Exchange (Stock Code: 8305) and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 1559) on 15 August 2016; (ii) Shandong Xinhua Pharmaceutical Company Limited from May 2014 to June 2018, a company listed on the Main Board of the Stock Exchange (Stock Code: 719) and the Shenzhen Stock Exchange (Stock Code: 000756); (iii) HongGuang Lighting Holdings Company Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8343) since December 2016; (iv) Founder Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 418) since March 2017; (v) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618) since March 2017; and (vi) Eternity Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1725) since July 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Kwok Lun (李國麟) (“Mr. Lee”), aged 35, was appointed as our Independent Non-executive Director on 21 September 2017. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Lee graduated from the University of Hertfordshire with a Bachelor of Arts Degree in Accounting in September 2006. He has been admitted a member of the Association of Chartered Certified Accountants in January 2013. Mr. Lee has been a member of the Hong Kong Institute of Certified Public Accountants since September 2013. In May 2015, Mr. Lee was admitted as practicing member of the Hong Kong Institute of Certified Public Accountants. In 2018, Mr. Lee has been admitted as a associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Securities and Administrators.

Mr. Lee has more than 10 years of experience in auditing and accounting. From September 2006 to February 2008, Mr. Lee held various positions in Y.K. Tsang & Co., an accounting firm, where he last served as an audit intermediate. Mr. Lee subsequently joined Chan and Chan Certified Public Accountants in March 2008 as an intermediate audit clerk. Prior to his departure in August 2009, he worked in the capacity of a semi-senior. From September 2009 to January 2014, Mr. Lee held various position in SHINEWING (HK) CPA Limited, where he last served as an assistant manager. From January 2014 to October 2014 he was employed by BDO Limited as a manager in the Assurance Department. From November 2014 to April 2015, Mr. Lee was employed by KPMG as a manager. After leaving KPMG, Mr. Lee co-founded Prism CPA Limited in December 2015 and served as its director since then. In April 2015, Mr. Lee joined Tianyi (Summi) Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 756) as the company secretary and has been appointed as the chief financial officer in May 2017. Mr. Lee has also been the Independent Non-executive Director of Dragon Rise Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6829) on 18 January 2018.

SENIOR MANAGEMENT

Mr. LIU Dahong (劉大洪) (“Mr. Liu”), aged 55, is our quantity survey manager. He joined our Group as a quantity surveyor in May 2014 and was promoted to the current position in March 2016. He is primarily responsible for providing quantity surveying services to our Group.

Mr. Liu has obtained a Bachelor Degree in Engineering Survey from the Nanjing Construction Engineering Institute (currently known as Nanjing Tech University) in July 1984.

Mr. Liu has over 25 years of experience in the construction industry. He joined China Southwest Geotechnical Investigation & Design Institute Co., Ltd as an assistant survey engineer in July 1984 and left the company as a survey engineer in April 1991. Thereafter, Mr. Liu joined China State Construction Engineering (Hong Kong) Limited in April 1991 as the chief surveyor and left as a deputy site manager in October 2007.

Ms. LI Mei Wai (李美慧) (“Ms. Li”), aged 32, is our financial controller and Company Secretary. She joined our Group in January 2017, primarily responsible for financial planning, internal control, financial reporting and corporate secretarial practices of our Group.

Ms. Li obtained a Bachelor of Commerce (Honours) Degree in Accountancy from the Hong Kong Baptist University in November 2010. She has been a member of the Hong Kong Institute of Certified Public Accountants since March 2014. In March 2016, Ms. Li was admitted as practising member of the Hong Kong Institute of Certified Public Accountants.

Prior to joining our Group, Ms. Li served a number of auditing positions in SHINEWING (HK) CPA Limited, an accounting firm, from October 2010 to October 2013. Subsequently, she worked as a senior associate in PricewaterhouseCoopers Ltd. from November 2013 to July 2015. From July 2015 to December 2016, Ms. Li was an assistant accounting manager at Melco International Development Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 200).

CORPORATE GOVERNANCE REPORT

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group. The Group believed that effective corporate governance practices are fundamental to safeguarding and enhancing the interest of the Shareholders and stakeholders of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted as its own corporate governance code the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Company has complied with the CG Code during the period from 1 April 2018 to 31 March 2019 (the “**Reporting Period**”) with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. Mr. Li Cheuk Kam is both the Chairman and the Chief Executive Officer. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors of the Company.

Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for directing and supervising the Group's business and affairs. The Directors, individually and collectively, must act in good faith in the best interest of the Company and Shareholders and fulfill their fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements. The Board has delegated its powers to the management for the Group's day-to-day management and operations.

Composition

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules during the Reporting Period. The Board comprises seven Directors who include three Executive Directors, namely Mr. Li Cheuk Kam (Chairman of the Board), Mr. Li Wai Fong and Mr. Liauw Hung and one Non-executive Director, namely Mr. Poon Wai Kong and three Independent Non-executive Directors, namely Mr. Wong Chik Kong, Mr. Chan Chung Kik, Lewis and Mr. Lee Kwok Lun.

Executive Directors

Mr. LI Cheuk Kam (*Chairman*)
Mr. LI Kun Yee (from 25 May 2017 to 31 May 2018)
Mr. LI Wai Fong
Mr. LIAUW Hung

Non-executive Director

Mr. POON Wai Kong (appointed on 12 October 2018)

Independent Non-executive Directors

Mr. WONG Chik Kong
Mr. CHAN Chung Kik, Lewis
Mr. LEE Kwok Lun

Biographical details for each Directors and their relationship among board members are set out in the section headed "Biographical details of Directors and Senior Management" of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has signed a letter of appointment with each of the Independent Non-executive Directors for a term of three years (subject to retirement by rotation and re-election in accordance with the Articles of Association (the "**Articles**"), which may be terminated earlier by no less than one month's written notice served by either party on the other. The commencement date of each of the letter of appointment is 21 September 2017.

Each Independent Non-executive Director is required to inform the Group as soon as practicable if there is any change that may affect his independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the Independent Non-executive Directors have met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the independence guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules as one of the Independent Non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Article 112 of the Articles of Association of the Company, the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members after his appointment and be subject to re-election at such meeting; and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108(a) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and that every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

During the Reporting Period, nine Board meetings and a general meeting were held. Details of the attendance record of each Directors is set out below:

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meeting
<i>Executive Directors</i>		
Mr. LI Cheuk Kam	9/9	1/1
Mr. LI Kun Yee (resigned with effect from 1 June 2018)	1/1	–
Mr. LI Wai Fong	9/9	1/1
Mr. LIAUW Hung	9/9	1/1
<i>Non-executive Director</i>		
Mr. Poon Wai Kong (appointed on 12 October 2018)	3/3	–
<i>Independent Non-executive Directors</i>		
Mr. WONG Chik Kong	9/9	1/1
Mr. CHAN Chung Kik, Lewis	9/9	1/1
Mr. LEE Kwok Lun	9/9	1/1

Every Director has access to Board papers and related materials, and the advice and services of the company secretary of the Company (the “**Company Secretary**”), and may seek independent professional advice at the Company’s expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable statutes, codes and regulations to ensure compliance and to upkeep good corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) which aims to achieve diversity on the Board, and a sustainable and balanced development of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board’s composition, the Board should have a balance of skills, experience and knowledge in the industry and diversity of perspectives appropriate to the Company’s business.

In the process of selection of board members, the Company seeks to achieve board diversity through the consideration of a range of diversity perspectives which include but not limited to gender, age, cultural and education background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective selection criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee has reviewed and will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and will discuss any revisions that may be required and will recommend any such revisions to the Board for consideration and approval and will report to the Board annually.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend relevant programmes to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. Prior to their appointments, all Directors will be given relevant guideline materials together with the necessary induction and training to enable them to have a proper understanding of their duties and responsibilities under the Listing Rules and the applicable laws, rules and regulations. Briefings and professional development will be arranged for Directors whenever necessary. All Directors confirmed that they had participated in continuous professional development to develop and refresh their knowledge and skills and had complied with the CG Code provisions during the Reporting Period.

According to the Directors’ training records provided to the Company for the year ended 31 March 2019, training undertaken by all Directors during the year is summarised below:

Name	Type(s) of training (Note(s))
Current Directors	
Mr. LI Cheuk Kam	(a),(b)
Mr. LI Wai Fong	(a),(b)
Mr. LIAUW Hung	(a),(b)
Mr. POON Wai Kong	(a),(b)
Mr. WONG Chik Kong	(a),(b)
Mr. CHAN Chung Kik, Lewis	(a),(b)
Mr. LEE Kwok Lun	(a),(b)
Former Director	
Mr. LI Kun Yee	(a),(b)

Notes:

- (a) Participated in seminars/forums/conferences
- (b) Read seminar materials/journals/articles/business or industry updates

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has set up three Board Committees, namely the audit committee (the “**Audit Committee**”), the nomination committee (the “**Nomination Committee**”) and the remuneration committee (the “**Remuneration Committee**”). The table below provides the membership information of these Committees on which each Board member serves as at the date of this annual report:

Directors	Board Committees		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. LI Cheuk Kam	–	C	M
Mr. LI Wai Fong	–	–	–
Mr. LIAUW Hung	–	–	–
Mr. POON Wai Kong	–	–	–
Mr. WONG Chik Kong	M	M	C
Mr. CHAN Chung Kik, Lewis	C	M	M
Mr. LEE Kwok Lun	M	M	M

Notes:

C – Chairman of the relevant Committee

M – Member of the relevant Committee

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code, the Audit Committee consists of three members who are all Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Chan Chung Kik, Lewis is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the Group’s financial reporting system and the internal control and risk management procedures, to monitor the independence and objectivity of the external auditor and to provide advice and comments to the Board on corporate governance practices. The Terms of Reference of the Audit Committee which were adopted by the Board on 21 September 2017 have been revised by the Board on 31 December 2018. The revised Terms of Reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed the condensed consolidated interim report for the six-month period ended 30 September 2018 and the audited consolidated financial statement of the Group for the year ended 31 March 2019. The Audit Committee is satisfied that these financial statements have been prepared in accordance with applicable accounting standards and requirements.

CORPORATE GOVERNANCE REPORT

The Audit Committee held three meetings during the Reporting Period and has reviewed, and recommended to the Board for approval of the Company's audited financial statements for the year ended 31 March 2018, the interim financial statements for the six-month period ended 30 September 2018 and the Terms of Reference for the Audit Committee. The individual attendance record of each member at the meeting of Audit Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. CHAN Chung Kik, Lewis	3/3
Mr. WONG Chik Kong	3/3
Mr. LEE Kwok Lun	3/3

Subsequent to the year ended 31 March 2019, the Audit Committee held one meeting and have reviewed and recommended to the Board for approval of the Company's audited financial statements for the year ended 31 March 2019.

NOMINATION COMMITTEE

Pursuant to paragraph A.5.2 of the CG Code, the Nomination Committee consists of one Executive Director, namely Mr. Li Cheuk Kam and three Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Li Cheuk Kam is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the independence of the Independent Non-executive Directors, considering the qualifications of the retiring Directors standing for election at the annual general meetings, and reviewing the structure, size and composition of the Board. The Terms of Reference of the Nomination Committee which were adopted by the Board on 21 September 2017 have been revised by the Board on 31 December 2018. The revised Terms of Reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

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.

If the Board recognised the need for an additional Director, the Nomination Committee will carry out the selection process by making reference to the Board Diversity Guideline, the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an INED, the Company's needs and other relevant statutory requirements and regulations. During the Reporting Period, Mr. Poon Wai Kong, the newly appointed Non-executive Director, was appointed by going through the selection process stated above.

During the Reporting Period, the Nomination Committee held three meeting including the meetings to (i) review the structure, size and diversity of the Board, assess the independence of the Independent Non-executive Directors and recommend to the Board for consideration the re-election of all the retiring Directors at the 2018 annual general meeting; (ii) review the appointment of Non-executive Director of Mr. Poon Wai Kong and (iii) review the Terms of Reference for the Nomination Committee.

CORPORATE GOVERNANCE REPORT

Directors	Attendance/ Number of Meetings
Mr. LI Cheuk Kam	3/3
Mr. WONG Chik Kong	3/3
Mr. CHAN Chung Kik, Lewis	3/3
Mr. LEE Kwok Lun	3/3

REMUNERATION COMMITTEE

Pursuant to paragraph B.1 of the CG Code, the Remuneration Committee consists of one Executive Director, namely Mr. Li Cheuk Kam and three Independent Non-executive Directors, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Wong Chik Kong is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations on the remuneration of our Company's senior management and members of the Board, such as formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all Executive Directors, Non-executive Directors and senior management and making recommendations to the Board of the remuneration of Independent Non-executive Directors. The Terms of Reference of the Remuneration Committee which were adopted by the Board on 21 September 2017 are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held two meetings during the Reporting Period to discuss the remuneration policy for existing Directors and the remuneration policy for newly appointed Non-executive Director during the year. The individual attendance record of each member of the Remuneration Committee is set out below:

Directors	Attendance/ Number of Meetings
Mr. WONG Chik Kong	2/2
Mr. LI Cheuk Kam	2/2
Mr. CHAN Chung Kik, Lewis	2/2
Mr. LEE Kwok Lun	2/2

COMPANY SECRETARY

Ms. Li Mei Wai was being as the Company Secretary during the Reporting Period. She was admitted as a practicing member of the Hong Kong Institute of Certified Public Accountants in March 2016. She is also the Company's financial controller. During the Reporting Period, she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility in preparing the consolidated financial statements of the Group for the year ended 31 March 2019. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The statement of the independent auditor of the Company about their reporting responsibilities to the financial statements are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

The Board has overall responsibilities for maintaining an adequate risk management and internal control system to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The department heads of the Group have identified, evaluated significant risks and confirmed to the management of the Group that appropriate internal control policies and procedures have been established and properly complied with during the Reporting Period. All the findings and material issues have been summarised to the Board and the Audit Committee for review annually. The Audit Committee will report to the Board on any material issues and makes recommendations to the Board.

The Group has established guidelines and procedures for the approval and control of expenditures, for safeguarding assets against unauthorised use or disposition, for ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and for ensuring compliance with applicable law, rules and regulations. These policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Reporting Period, the Company has engaged an external independent consulting firm to perform the internal audit function and to review the effectiveness and efficiency of the Group's risk management and internal controls systems. The recommendations put forwarded by the consultant have already been implemented in stages by the Group to further enhance its internal control and risk management policies, procedures and practices. The Board considered that the Group's risk management and internal control systems are effective during the Reporting Period.

The Group has conducted a review to assess whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, the Board, supported by the Audit Committee, concluded that a separate internal audit department is not required for the time being.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, in respect of their audit and non-audit services was as follows:

Directors	Service Fee HK\$'000
Audit services	850
Non-audit services:	
– Review for interim report	200
– Others*	27
Total	1,077

* Including services provided by SHINEWING (HK) CPA Limited's affiliated firms.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on Directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group during the Reporting Period.

INSIDE INFORMATION POLICY

The Group have complied with the requirements of the Securities and Futures Ordinance (“SFO”) and the Listing Rules regarding inside information during the Reporting Period. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the “safe harbours” as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements, circulars and reports of the Company is not false or misleading as to a material fact, or false or misleading due to the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene General Meeting

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary by mail at Room 3404A, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposal at Shareholder's Meeting

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for Shareholders to Convene General Meeting".

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which Enquiries may be out to the Board

Shareholders are welcomed to send their enquiries to the Board, such enquiries can be addressed to the Company Secretary in writing by post to the Company's principal place of business in Hong Kong at Room 3404A, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong or by email at info@wingchiholdings.com.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the year ended 31 March 2019 and up to the date of this annual report, there are no changes to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report highlights the initiatives and efforts of the Group in fulfilling their commitment to sustainable development and corporate social responsibility in the course of their business. During the Reporting Period, the Group and its subsidiaries were engaged in foundation and site formation works. The foundation and site formation works provided by the Group represent the projects undertaken by it, the nature of which is broadly classified as excavation and lateral support works, pile caps construction and site formation works for both public and private projects. To a lesser extent, the Group also leases some of its machineries.

During the Reporting Period, the Board believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trend in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating Environmental, Social and Governance (the “**ESG**”) aspects and internal control systems into its risk management system and has taken corresponding measures in its daily operations and governance perspective.

REPORTING SCOPE AND STANDARDS

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board set by The Stock Exchange of Hong Kong Limited (“**HKEX**”) and the Group has complied with all the “comply or explain” provisions set out in the ESG Guide for the year ended 31 March 2019. The information in this Environmental, Social and Governance Report (the “**ESG Report**”) is based on the Group’s official documents and statistical data, as well as an integration and summary of monitoring, management and operational information provided by subsidiaries of the Group. To better navigate relevant ESG topics, a detailed ESG content index is available at the end of this report. The corporate governance practices of the Group are set out in the Corporate Governance Report from page 13 to 22 of the annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENGAGEMENT WITH STAKEHOLDERS

We acknowledge the importance of sustainability as one of the key driving forces to the growth of the Group and creation of value to our stakeholders. The Group values input and feedbacks of its stakeholders and strives to address their concerns. We have established various communication channels in below table to maintain liaison with them. The Group can hence collect feedback and opinion from our stakeholders and respond to their needs, by which we can maintain a close and harmonious relationship with them to attain a long-term success. The table below lists the Group's stakeholders and illustrates our communication and response measures.

Stakeholder Groups	Specific Stakeholder(s)	Communication Channel
Investors	<ul style="list-style-type: none"> • Shareholders • Potential investors 	<ul style="list-style-type: none"> ➤ Corporate website ➤ Annual and interim financial reports ➤ Announcements and disclosures of stock listing information ➤ Annual general meetings and extraordinary general meetings
Employees	<ul style="list-style-type: none"> • Senior management • Staff • Direct workers • Potential recruits 	<ul style="list-style-type: none"> ➤ Direct communication ➤ Independent focus groups and interviews ➤ Training and seminars ➤ Regular performance assessments ➤ CSR activities
Customers	<ul style="list-style-type: none"> • Government departments and statutory bodies • Property developers • Land-owners • Ultimate users 	<ul style="list-style-type: none"> ➤ Periodical meetings with contractors and customers ➤ Customer assessments ➤ Designated customer hotline
Suppliers/Contractors	<ul style="list-style-type: none"> • Suppliers • Sub-contractors • Service providers 	<ul style="list-style-type: none"> ➤ Supplier assessments ➤ Daily work reviews ➤ Site inspections and meetings with sub-contractors
Community	<ul style="list-style-type: none"> • National and local community organisations 	<ul style="list-style-type: none"> ➤ Charitable donations ➤ CSR activities
Government	<ul style="list-style-type: none"> • National and local governments • Regulators 	<ul style="list-style-type: none"> ➤ Written correspondence ➤ Statutory reports and general disclosures

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in the preparation of this report to assist the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. In reference to the identified material environmental, social and governance issues, a data collection questionnaire was compiled to collect the information from relevant departments and business units of the Group.

PROTECTING THE ENVIRONMENT

Given the nature of our business, our operations inevitably cause air and noise pollution, safety issues and inconvenience to participants and neighbouring communities. We recognise our responsibilities towards the potential environmental impacts associated with our business operations and integrate environmental consideration into our decision-making processes.

To demonstrate our commitment towards environmental management, we have established an environmental management system (“**EMS**”) and developed the environment management manual in accordance with ISO14001:2015 standard certification by Fugro Certification Services Limited. To meet the ISO14001:2015 requirements, the Group has developed environmental management policies and procedures to improve its ability to efficiently identify, minimise, prevent and manage environmental impact as they arise, therefore reducing the associated risks. We also communicate our environmental policies to all our employees, sub-contractors and suppliers, to ensure that they are competent to follow compliance, and encourage them to apply good environmental practice and improve performance.

EMISSIONS

While promoting business development, the Group also attaches great importance to the sustainable development of the operating regions. As a group with operation primarily in construction business, we continue to put forth dedicated efforts toward aligning our commitments with regional government’s environmental targets and programmes on emissions, energy, water, material use and waste management.

Emissions from our daily business activities mainly represent air pollutants emissions, GHG emissions, noise, discharge into water and land, and disposal of inert and non-inert construction waste while carrying out projects. Various practices have been adopted in our daily operations to minimise air pollutant emissions at sources. For instance, we only operate non-road mobile machinery with approval labels or exemption labels in accordance with the Air Pollution Control (Non-road Mobile Machinery). We utilise ultra-low-sulphur diesel in our non-road mobile machinery and on-road vehicles where applicable to reduce sulphur oxide emissions. Other day-to-day operational practices are also properly implemented throughout our construction process. Exposed construction areas are frequently watered or covered with tarpaulin or fabric sheets, or enclosed with dust screens where the dust-generating activities take place.

During the Reporting Period, the Group’s main sources of GHG emissions included direct emissions from combustion of gaseous fuel from vehicles and fuel-operated plant, energy indirect emissions from purchased electricity and disposal of paper at landfills. During the Reporting Period, a number of our construction projects were distant from our office, therefore, the key performance indicators (“**KPIs**”) relating to emissions data from gaseous fuel consumption have been increased.

The largest source of the Group’s GHG emissions, was from scope 1 — direct emissions, attributed to the combustion of fuels in mobile sources, for example, motor vehicles, machineries and equipment during operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 March 2019, air emissions generated by the Group were as follows:

	Unit	2018/19	2017/18
Emissions data from Gaseous Fuel Consumption			
Nitrogen Oxide (NO _x)	kg	912.37	766.97
Sulphur Oxide (SO _x)	kg	1.00	0.93
Particulate Matter (PM)	kg	68.62	56.20

For the year ended 31 March 2019, GHG emissions generated by the Group were as follows:

	Unit	2018/19	2017/18	
Direct emissions (Scope 1)				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO ₂)	tonne	161.62	151.39
	Methane (CH ₄)	kg	171.45	171.93
	Nitrous oxide (N ₂ O)	tonne	4.92	5.90
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	Carbon Dioxide (CO ₂)	tonne	7.96	9.31 ¹
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon Dioxide (CO ₂)	tonne	2.03	N/A ²

¹ Electricity consumption data in FY2017/18 was updated in this table after review. The corresponding emission figure was revised to correct a misinterpretation.

² The Group did not establish a sufficient mechanism to record the paper usage in FY2017/18, therefore, the relevant KPI was marked unavailable.

WASTE MANAGEMENT

As we engaged in the provision of construction services, it is anticipated that significant amounts of construction and demolition materials (“**C&D materials**”) will be generated from our operating activities (i.e. site formation works, foundation works, and building construction and superstructure works). C&D materials consist of inert and non-inert waste, which are to be disposed of at public fills and landfills respectively. General refuse including office waste, paper waste, food waste and packaging waste are collected and temporarily stored on site before disposal of at landfills.

Recycling boxes have also been provided at the Group’s head office to encourage employees to sort and recycle wastes to mitigate wastes, reusing and recycling in daily operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. Where applicable, environmentally friendly construction practices such as using precast concrete units rather than placing concrete; structural steel rather than reinforced concrete for the building framework; steel formwork instead of timber formwork, are implemented during our operations.

During the Reporting Period, all the wastes generated at our project sites were handled by our main contractors. No significant hazardous waste was generated from our operations given the nature of our business. Therefore, the relevant key performance indicators were not applicable to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

The Group's major use of resources include energy and water consumption. For energy use, both head office and project sites consume electricity and fuels for vehicle use. Fuel consumption is mostly involved with equipment operation and ground transportation during delivery, while electricity consumption mainly comes from office use.

The Group endeavours to reduce its resource consumption by striving for optimising its working environment, which emphasises green operations and green initiatives in the workplace. To this end, a variety of energy conservation and pollution reduction measures have been implemented in our office and construction sites as follows:

- Office**
 - Setting and maintaining average room temperatures at 24°C–26°C ;
 - Switching office equipment (e.g. printers, computers and monitors) to sleep mode when they are idle;
 - Giving priority in purchasing electrical appliances to those with Grade 1 energy efficiency labelling; and
 - Dividing lighting systems into small zones, enabling a more flexible approach towards energy saving.
- Site**
 - Switching off non-essential lightings as well as idle machinery and equipment;
 - Enhancing the maintenance and overhauling procedures to maintain all equipment in optimal condition for effective use of energy; and
 - Using various communication channels (posters, signs and memos) for promoting energy conservation to raise construction workers' awareness.

On top of energy conservation, reducing our water footprint is also one of our focus areas given water availability is crucial to human survival. The Group encourages recollection, reuse and recycling of greywater on construction sites to minimise freshwater consumption. As an example, muddy water generated from piling works and washing of construction vehicles was treated through sedimentation and flocculation in the wastewater treatment system to allow reuse whenever it is feasible.

For the year ended 31 March 2019, resources consumption by the Group was as follows:

Resources Consumption	Unit	2018/19	2017/18
Electricity Consumption	kWh	12,634.06	14,771.12 ¹
	kWh/employee	49.94	65.94

¹ Electricity consumption in FY2017/18 was updated in this table after review. The corresponding emission figure was revised to correct a misinterpretation.

During the Reporting Period, the Group's operations did not involve significant use of packaging materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT AND NATURAL RESOURCES

In compliance with applicable environmental legislation, the Group expects no significant impact on the environment or natural resources is caused during its business operations. Nonetheless, we still place great importance on the potential threats of the business operations that might pose to the natural environment. Through enhancing resources utilisation and executing environmentally friendly guidance in our daily operations, we raise environmental awareness amongst our employees.

For the sake of compliance with relevant laws and regulations, we regularly assess environmental risks of our operations and adopt preventive measures as necessary. For instance, office paper for in-house printing is of Programme for the Endorsement of Forest Certification (“**PEFC**”), documents recorded in soft copy format and facilitate transmission through email is encouraged for reducing usage of papers. PEFC is a leading global alliance of national forest certification systems, dedicated to promoting sustainable forest management. PEFC Chain of Custody certification tracks wood from sustainable sources through the supply chain to the final product. It demonstrates that each step of the supply chain is closely monitored through independent auditing to ensure that unsustainable sources are excluded.

With the implementation of the measures mentioned above, the Group believes that the objectives of energy conservation, wastes reduction and green office promotion can be achieved. The Group will continue to look for opportunities to reduce further emissions and wastes to minimise the impact on the environment and natural resources caused by its operations.

The Group fully understands that ESG policies and practices may change over time to reflect the changes in business operations, structures, technology, laws and regulations, and environment. Hence, we regularly keep track of the latest relevant environmental laws and regulations and commit in measures that strengthen environmental protection. During the Reporting Period, the Group has complied with all relevant environmental laws and regulations in Hong Kong, including but not limited to the Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354), Water Pollution Control Ordinance (Cap. 358), Noise Control Ordinance (Cap. 400), Dumping at Sea Ordinance (Cap. 466), Environmental Impact Assessment Ordinance (Cap. 499) and other regulations promulgated by governments and currently applicable to the Group, as well as environmental requirements of customers.

For the year ended 31 March 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES

Adherence to a people-oriented approach, we respect and protect the rights and interests of our employees and standardise employment management in order to build a harmonious working relationship. We ensure employment and labour practices are implemented in accordance with anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608), Laws of Hong Kong, as well as industry features and practices. The Group sincerely safeguards the legitimate interests of labour in compliance with the relevant laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights to various types of rest times and holidays.

The Group complies strictly with local laws and regulations and emphasises on equal opportunities for all personnel in respect of recruitment, promotion, dismissal, remuneration, benefits, and training and development. The Group is also committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation to attract professionals with diverse backgrounds to join the Group.

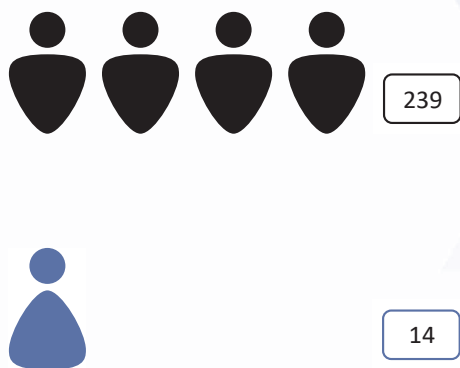
The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. With an aim to reward and motivate the contribution and performance of employees and assist them in their career development and promotion within the Group, a performance appraisal system to annually review staff performance and remuneration has been established. With reference to the prevailing market standard, promotion opportunities and salary adjustments are benchmarked against individual performance. The Group's remuneration policies and packages are reviewed by the management on a regular basis. It grants discretionary bonuses to qualified employees based on operational results and individual performance.

Staff Composition

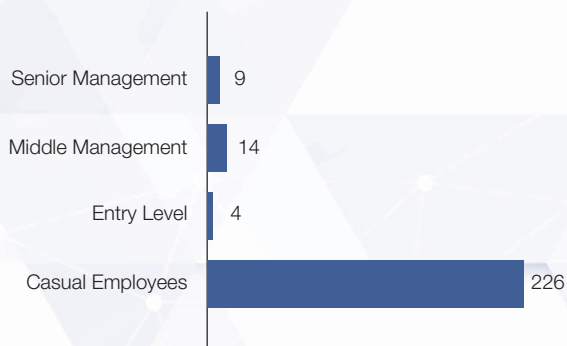
The Group is principally engaged in construction services, which demands physical strength. Hence, traditionally male employees are a majority in the workforce of the construction business. However, the Group has also committed to striking a balance between male and female employees in its working environment and providing equal opportunities for different gender.

As at 31 March 2019, we employed a total of 253 staff, including back office and site staff. All our staff members are located in Hong Kong.

Employees by Gender

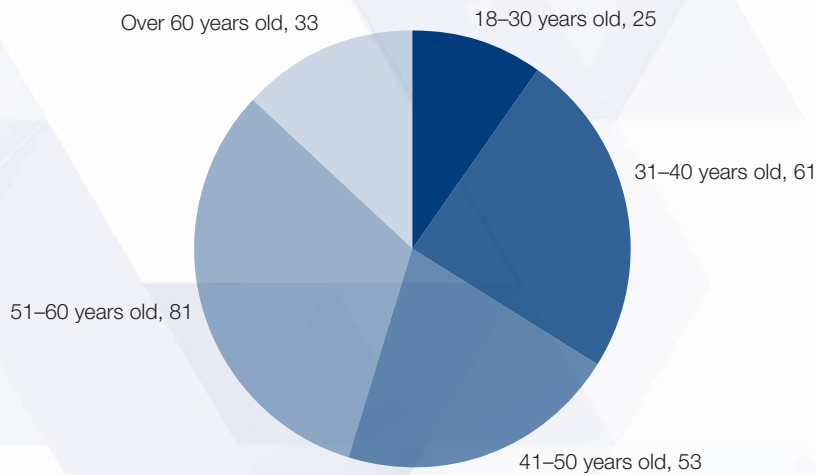


Employees by Employment Category



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employees by Age Group



For the year ended 31 March 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

HEALTH AND SAFETY

As the Group primarily engages in construction business, paramount importance is given to safety and health and we priorities occupational safety and health in all our works. The Group proactively works to deliver safety initiatives in reducing potential health and safety risks in workplace and impact of industrial accidents by establishing occupational health and safety management systems accredited with OHSAS18001:2007, certified by Fugro Certification Services Limited, as well as organising safety training for its workforce.

Inappropriate operation of machineries can result in injuries to workers and property damage. Hence, we are determined to ensure that all construction works are carried out high health and safety standards in practical terms. Warning signs are posted in prominent positions, detailing potential health impact, handling procedures and preventive measures with an aim to protect employees from occupational hazards. Personal protective equipment such as safety helmets, safety goggles, safety shoes and high visibility clothing are provided for all personnel who work at project sites. At the workplace, sufficient first-aid kits are in place and periodical checking and maintenance of machineries and equipment are conducted to safeguard employees' health and safety.

Our safety and health policies are actively participated by all levels of management and supervision staff to explore and implement various approaches to establish a safe working environment. Relevant occupational health and safety training is provided to our staff and workers such as safety induction training, safety toolbox talks, specific training for high-risk activities, periodic emergency contingency drills to heighten employee awareness of workplace hazards and ensure they are competent to discharge their OHS responsibilities and obligations, and respond to emergencies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regular safety meetings are held between safety officer and site supervision teams together with the participation of sub-contractor's and worker's representatives to share the latest information and best practices regarding occupational health and safety. Safety officers are responsible for conduct site inspections to ensure that the Group's existing business operations and working procedures are in compliant with health and safety standards. Review and checking for updates of relevant laws and regulations are also performed on a regular basis.

For the year ended 31 March 2019, the work injury statistics for the Group were as follows:

Work Injury Statistics	Unit	2018/19	2017/18
Number of work-related fatalities	Case	0	0
Rate of work-related fatalities	Percentage	0%	0%
Number of reported accidents (sick leave > 3 days)	Case	11	12
Lost days due to work injury	Day	1,147	404

During the Reporting Period, certain of our staff members have been awarded as the Best Safety Worker, Safe Management Team and Frontline Management Staff with safety bonuses by our main contractors as an acknowledgement of our efforts put in managing health and safety of our workers throughout project operations.

The Group will continue to optimise its work practices and daily management for the sake of staff health and safety with the aim of creating a safe, healthy and comfortable working environment. To this end, we strictly comply with applicable laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509), Employees' Compensation Ordinance (Cap. 282), and Factories and Industrial Undertakings Ordinance (Cap. 59), Laws of Hong Kong.

As at 31 March 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards, except for the fact that there is a number of litigation cases are still in progress.

DEVELOPMENT AND TRAINING

The Group recognises that the continuous development of its employees is the key to its success and is willing to invest in and offer training and development courses to deepen and broaden their professional knowledge and technical skills. We are committed to providing employees a fit and proper platform for their career development, professionalism and promotion opportunities by encouraging them to proactively identify their training needs and seek development to fulfil their personal and career aspirations. On an annual basis, performance appraisal is conducted between management and employees for continuous improvement.

In line with our commitment to providing adequate training opportunities to enhance employees' knowledge and skills, we frequently arrange for experienced staff to provide directional advice and guidance to junior staff, and provide educational subsidies to employees to pursue further studies and attend work-related external training programs to enrich their business expertise, competencies and skill sets for their career development. Such arrangements can enhance the communication and team spirit, also improve their technical skills and managerial capability and encourage employees at all levels. For newly hired employees, comprehensive on-the-job training will be provided to help them to understand the Group's corporate culture and development, business processes, work health and safety measures, and management systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also provides its directors and senior managerial staff with various training sessions, so as to maintain continuing professional development and enhance their knowledge and skills. The training includes regular updates on rules for listed companies, and information about relevant laws and regulations, corporate governance and international accounting standards as well as corporate ethics training programme organised by the Independent Commission Against Corruption for directors.

During the Reporting Period, 21% of our male employees and 14% of female employees participated in training, with the average duration at approximately 1.99 hours and 5.32 hours respectively. The percentage of employees participating in training for senior and middle management and casual employees were approximately 100%, 36% and 15% respectively. The average duration of training in each of these categories was approximately 14.44 hours, 3.93 hours and 1.61 hours respectively. Unfortunately, none of our employees at entry level have participated in training, however, we will refine our training plan and ensure employees from each level can receive a sound level of training in the coming years.

LABOUR STANDARDS

The Group respects human rights and freedom highly, and strictly prohibits the uses of child and forced labour in our workplace by adhering to the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance (Cap. 57), Laws of Hong Kong. We have comprehensive steps in place to regularly review the employment practices and eliminate undesired practices if discovered. Prior to confirmation of employment, the Group's human resources staff require the job applicants to provide valid identity documents for verification of age and ensure that applicants are lawfully employable. Employment contracts are signed by the Group and the employees, explaining and detailing the rights and responsibilities of both parties to prohibit any labour exploitation or forced labour. To align with the relevant laws and regulations, employment arrangements encompassing working environment, terms of employment, working hours, rest days and holidays are subjected to periodical review.

For the year ended 31 March 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

SUPPLY CHAIN MANAGEMENT

The Group is well aware of the environmental and social impacts that may ensue along the supply chain and is committed to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society in collaboration with our suppliers and sub-contractors.

When selecting suppliers and sub-contractors, the Group evaluates them by considering factors such as their quality of work, cost, schedule, past performance, environmental and safety requirements. Periodically, the Group undertakes review to ensure that its business partners effectively manage environmental and social risks along the supply chain. In this regard, a list of approved suppliers and sub-contractors is maintained. We only select suppliers and appoint sub-contractors from this approved list, unless individually reviewed and approved by management or specifically requested by the client. If any significant negative environment or social impact is from the selected suppliers or sub-contractors, the Group may consider terminating cooperation with them.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has been continuously optimising and improving the supplier management system, regulating the access, supervision, evaluation of suppliers and sub-contractors, and constantly increasing specialisation and transparency of supply chain management. We also maintain close liaison with our suppliers and sub-contractors to monitor their performance to ensure that it is consistent with their service commitment.

To ensure the quality of materials provided by suppliers, inspections are performed by our site agents upon materials delivery at project sites. In case of any quality issues, suppliers will provide replacement or exchange service after negotiation. The Group also maintains on-going communication with its clients to ensure understanding and satisfaction of their demand and expectations, as well as constantly improving its services.

During the Reporting Period, the Group cooperated with a total of 90 suppliers and 47 sub-contractors, all of which were based in Hong Kong. Looking ahead, the Group aims to promote local economic development and reduce its carbon footprint, by prioritising local suppliers by shortening the distance of transportation. In addition to geographical factors, we expect our suppliers to maintain sound social responsibility systems on managing environmental and social aspects, including environmental protection, occupational health and safety, human rights and product responsibility.

PRODUCT RESPONSIBILITY

The Group understands it is imperative to manage our relationships with our suppliers, sub-contractors and clients in a responsible and sustainable manner. We are dedicated to delivering consistent and quality services to our clients, and collaborating with our suppliers and sub-contractors to create win-win outcomes. In order to ensure the quality of the construction works, our project teams monitor the cost control and construction progress closely by implementing stringent quality control procedures and periodic on-site inspection. The Group strives to meet specifications and requirements of our clients and the applicable statutory and regulatory requirements.

To meet the demand of our clients, the Group has also developed its internal management system and closely monitored its project execution process, with the aim of rendering premium and reliable service to our clients. We have established and implemented a quality management system (“QMS”) in our operations, which are in conformity with the internationally recognised ISO 9001:2015 standard, as certified by Fugro Certification Services Limited. With the implementation of our QMS, the quality and compliance with all project sites are ensured through a systematic control process in which inspection and testing of the works are carried out to detect non-compliance and is subject to rectification until quality specification is met.

We value the opinions from our clients and take them as a driving force to improve the quality of services. Hence, we endeavour to meet the needs and answer the concerns from our current and potential clients, and to handle their complaints with fairness and prudence. In order to manage and resolve complaints effectively, the Group has formulated complaint handling procedures, clearly stipulating the responsibilities of responsible personnel.

During the Reporting Period, we received no complaints or claims from our customers arising from the quality issues of the work performed either by us or our sub-contractors, which in the view of directors was the result of the effective quality control measures.

In compliance with the Personal Data (Privacy) Ordinance (Cap. 486), Laws of Hong Kong, we ensure that all the business data collected from our clients is treated as strictly confidential. Our clients' data can only be assessed by authorised personnel and data processing are guided by different departments to protect their information against improper disclosure, misuse or unauthorised use, loss, damage and corruption. Through internal trainings and confidentiality agreements, the Group enforces confidential obligation and consequences of data leakage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is dedicated to protecting and enforcing the Group's own intellectual property ("IP") rights as well as the IP rights of other enterprises. The Group obtained proper license for software and information it used in its business operations. Employees are also required to avoid having unlicensed computer software on their computers at the workplace.

Due to the nature of our business, no public advertisement is conducted, yet our clients have been referred to us by word-of-mouth, clients who are satisfied with our products and services share their experience with others.

For the year ended 31 March 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

ANTI-CORRUPTION

We believe all successful business stands on the foundation of morality. We are committed to maintaining the highest ethical standard of business conduct and gives utmost importance to moral integrity and anti-corruption by adamantly complying with relevant regulations and laws, such as the Prevention of Bribery Ordinance (Cap. 201), and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), Laws of Hong Kong.

To prevent any negative social impact linked to corruption, the Group has established policies that prohibits all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other disallowed advantages. Such policies are effectively conveyed to our employees to ensure their understanding of and compliance with all the applicable anti-corruption laws and regulations. Related information on anti-money laundering is also provided to employees to raise their awareness in this regard.

To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Group has developed a Whistle-Blowing Policy which included in the staff handbook to facilitate disclosure of relevant information via a confidential reporting channel available to all employees. Employees can report verbally or in writing to the senior management for any suspected misconduct with full details and supporting evidence. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Reported cases are subject to independent investigations and proper follow-up is ensured. Additionally, the Group is fully aware that it is obligated to refer the matter to the legal enforcement parties or regulators, and shall be subject to disciplinary action where appropriate.

For the year ended 31 March 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud and money laundering.

GIVING BACK TO THE COMMUNITY

To honour its corporate social responsibility for the benefit of the society, the Group always seeks to be a positive force in the communities in which we operate and maintain close communications and interactions with the communities in order to contribute to local development from time to time. The Group hopes to foster employees' sense of social responsibility and build up positive value through encouraging them to participate in charitable activities.

As a way to contribute back to the local community, the Group gave out gifts to the elderly and made a donation to a local community organisation during the Reporting Period. Not only does the community participation foster a closer relationship between the Group and the community, it also brings our staff members from different departments and project sites close to each other, boosting our team spirit to contribute to the well-being of the Group and the society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In July 2018, the Group donated to the “Photalkgraphers” Charitable Photo Exhibition. The exhibition featured works of nine photographers with “Hong Kong” as the theme, telling the stories of the city. The photo were auctioned to raise funds to benefit the children with rare diseases and their medical needs and aroused public concern about rare diseases.

Looking forward, we will continue to uphold the principle of being responsible for our clients, employees, shareholders and society, and will seek and capture opportunities to strive for a harmonious development between the Group and all related parties to make our due contributions.

PERFORMANCE DATA SUMMARY

Air Emissions		Unit	2018/19	2017/18
Nitrogen Oxide (NO _x)		kg	912.37	766.97
Sulphur Oxide (SO _x)		kg	1.00	0.93
Particulate Matter (PM)		kg	68.62	56.20

GHG Emissions		Unit	2018/19	2017/18
Direct emissions (Scope 1)				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO ₂)	tonne	161.62	151.39
	Methane (CH ₄)	kg	171.45	171.93
	Nitrous oxide (N ₂ O)	tonne	4.92	5.90
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	Carbon Dioxide (CO ₂)	tonne	7.96	9.31 ¹
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	Carbon Dioxide (CO ₂)	tonne	2.03	N/A ²

Resources Consumption		Unit	2018/19	2017/18
Electricity Consumption		kWh	12,634.06	14,771.12 ¹
		kWh/employee	49.94	65.94

¹ Electricity consumption in FY2017/18 was updated in this table after review. The corresponding emission figure was revised to correct a misinterpretation.

² The Group did not establish a sufficient mechanism to record the paper usage in FY2017/18, therefore, the relevant KPI was marked unavailable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Total Workforce No. of People in FY2018/19	Total Workforce No. of People in FY2017/18
By Gender		
Male	239	209
Female	14	15
By Age Group		
18–30 years old	25	19
31–40 years old	61	48
41–50 years old	53	47
51–60 years old	81	80
Over 60 years old	33	30
By Geographical Region		
Hong Kong	253	224
By Employee Category		
Senior Management	9	9
Middle Management	14	11
Entry Level	4	8
Casual Employees	226	196

Work Injury Statistics	Unit	2018/19	2017/18
Number of work-related fatalities	Case	0	0
Rate of work-related fatalities	Percentage	0%	0%
Number of reported accidents (sick leave > 3 days)	Case	11	12
Lost days due to work injury	Day	1,147	404

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Percentage of employees being trained in FY2018/19 Rate	*Percentage of employees being trained in FY2017/18 Rate
By Gender		
Male	21%	7%
Female	14%	13%
By Category		
Senior Management	100%	89%
Middle Management	36%	9%
Entry Level	0%	38%
Casual Employees	15%	3%

	Average training hours completed in FY2018/19 No. of Hours	*Average training hours completed in FY2017/18 No. of Hours
By Gender		
Male	1.99	1.65
Female	5.32	3.31
By Category		
Senior Management	14.44	14.40
Middle Management	3.93	2.73
Entry Level	0	12.88
Casual Employees	1.61	0.67

* The KPI relevant to percentage of employees being training and average training hours completed in FY2017/18 was updated in this table after review. The corresponding KPI was revised to correct misinterpretation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The following table provides an overview of the general disclosures and KPIs of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Report or supplementing the Report with additional information.

Description	Reference	Remark	
<i>ENVIRONMENTAL</i>			
<i>Aspect A1: EMISSIONS</i>			
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the Environment	
<i>KPI A1.1</i>	The types of emissions and respective emissions data.	Emissions	
<i>KPI A1.2</i>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions	
<i>KPI A1.3</i>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	We do not generate hazardous waste in our operations.
<i>KPI A1.4</i>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	
<i>KPI A1.5</i>	Description of measures to mitigate emissions and results achieved.	Emissions	
<i>KPI A1.6</i>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<i>Aspect A2: USE OF RESOURCES</i>			
<i>General Disclosure</i>	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	
<i>KPI A2.1</i>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
<i>KPI A2.2</i>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A	
<i>KPI A2.3</i>	Description of energy use efficiency initiatives and results achieved.	Use of Resources	
<i>KPI A2.4</i>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources	The Group encounters no issue in sourcing water that is fit for purpose.
<i>KPI A2.5</i>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	We do not generate significant packaging material waste in our operations.
<i>Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES</i>			
<i>General Disclosure</i>	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources	
<i>KPI A3.1</i>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<i>EMPLOYMENT AND LABOUR PRACTICES</i>		
<i>Aspect B1: EMPLOYMENT</i>		
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hour, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare.	Employment and Labour Practices
<i>KPI B1.1</i>	Total workforce by gender, employment type, age group and geographical region.	Employment and Labour Practices — Staff Composition
<i>KPI B1.2</i>	Employee turnover rate by gender, age group and geographical region.	N/A
<i>Aspect B2: HEALTH AND SAFETY</i>		
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards.	Health and Safety
<i>KPI B2.1</i>	Number and rate of work-related fatalities.	Health and Safety
<i>KPI B2.2</i>	Lost days due to work injury.	Health and Safety
<i>KPI B2.3</i>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description		Reference	Remark
<i>Aspect B3: DEVELOPMENT AND TRAINING</i>			
<i>General Disclosure</i>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
<i>KPI B3.1</i>	The percentage of employees trained by gender and employee category.	Development and Training	
<i>KPI B3.2</i>	The average training hours completed per employee gender and employee category.	Development and Training	
<i>Aspect B4: LABOUR STANDARDS</i>			
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	
<i>KPI B4.1</i>	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	
<i>KPI B4.2</i>	Description of steps taken to eliminate such practices when discovered.	Labour Standards	
<i>Aspect B5: SUPPLY CHAIN MANAGEMENT</i>			
<i>General Disclosure</i>	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
<i>KPI B5.1</i>	Number of suppliers by geographical region.	Supply Chain Management	
<i>KPI B5.2</i>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<i>Aspect B6: PRODUCT RESPONSIBILITY</i>			
<i>General Disclosure</i>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	
<i>KPI B6.1</i>	Percentage to total products sold or shipped subject to recalls for safety and health reasons.	N/A	There were no recalls concerning the provision.
<i>KPI B6.2</i>	Number of products and service related complaints received and how they are dealt with.	N/A	There were no validated complaints received during the Reporting Period.
<i>KPI B6.3</i>	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	
<i>KPI B6.4</i>	Description of quality assurance process and recall procedures.	N/A	Recall procedures are not relevant to our operations.
<i>KPI B6.5</i>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description		Reference	Remark
<i>Aspect B7: ANTI-CORRUPTION</i>			
<i>General Disclosure</i>	Information on (a) the policies: and (b) compliance with relevant laws and regulations that they have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-Corruption
<i>KPI B7.1</i>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcome of the cases.	N/A	
<i>KPI B7.2</i>	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.		Anti-Corruption
<i>Aspect B8: COMMUNITY INVESTMENT</i>			
<i>General Disclosure</i>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Giving Back to the Community
<i>KPI B8.1</i>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		Giving Back to the Community
<i>KPI B8.2</i>	Resources contributed (e.g. money or time) to the focus area.		Giving Back to the Community

DIRECTORS' REPORT

The directors of the Company (the “**Directors**”) presents to the Shareholders their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machinery leasing. Details of the principal activities of its subsidiaries are set out in notes 1 and 34 to the consolidated financial statements. There was no significant change in the Group’s principal activities during the year ended 31 March 2019.

BUSINESS REVIEW

A review on the Group’s business for the year ended 31 March 2019 is set out under the section headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 4 to 9 of this annual report.

A discussion and analysis of the Group’s performance during the Reporting Period and the material factors underlying its financial performance and financial position are set out in the “Five Years Financial Summary” on page 128 and in the “Management Discussion and Analysis” on pages 4 to 9 in this annual report.

RESULTS AND DIVIDENDS

During the Reporting Period, no interim dividend (2018: nil) has been declared and paid.

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

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of the view that our employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group. The Group strive to achieve corporate sustainability through engaging employees, providing quality products and services to our customers, collaborating with suppliers to deliver quality sustainable products and services and supporting our community.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group during the Reported Period, is set out under the subsection headed “Risks and Uncertainties” on pages 6 to 7 in this annual report.

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 59 of this annual report.

ANNUAL GENERAL MEETING (“AGM”)

The 2019 AGM of the Company will be held on Thursday, 15 August 2019. The notice of the 2019 AGM of the Company will be published and despatched to the Shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The 2019 AGM of the Company has been scheduled to be held on Thursday, 15 August 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Friday, 9 August 2019 to Thursday, 15 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 2019 AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 August 2019.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year ended 31 March 2019 are set out in note 16 to the consolidated financial statements in this annual report.

DONATION

During the Reporting Period, HK\$3,000 charitable donation had been made by the Group (2018: HK\$1 million).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years are set out on page 128 of this annual report.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 March 2019 are set out in note 25 to the consolidated financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity on page 61 of this annual report. As at 31 March 2019, the Group had retained profit amounted to approximately HK\$48.1 million available for distribution to the Company's shareholders.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

As at 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Since 20 October 2017 (the "Listing Date"), the Company has arranged appropriate Directors' and Officers' Liability Insurance coverage for all Directors and senior management of the Company.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 21 September 2017. The principal terms of the Share Option Scheme have been summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 31 March 2019. Details of the share option scheme of the Group are set out in note 32 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Li Cheuk Kam
Mr. Li Wai Fong
Mr. Liauw Hung

Non-Executive Director ("NED")

Mr. Poon Wai Kong (Appointed on 12 October 2018)

Independent Non-Executive Directors ("INEDs")

Mr. Wong Chik Kong
Mr. Chan Chung Kik, Lewis
Mr. Lee Kwok Lun

The appointment and re-election of Directors are set out in the subsection headed "Appointment and Re-election of Directors" in this annual report.

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

Information regarding Directors' emoluments and the five highest paid individual's remuneration is set out in note 12 and note 13 respectively to the consolidated financial statements of this annual report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the INEDs. The Group considers all INEDs are independent under the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACT

Each of the Executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party.

Mr. Poon Wai Kong, the Non-executive Director of the Company, has entered into a service contract with the Company for an initial fixed term of three years commencing from 12 October 2018 until terminated by not less than one month's notice in writing served by either party.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing.

None of the Directors who are being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 March 2019.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2019.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group since the Listing Date and up to 31 March 2019.

NON-COMPETITION UNDERTAKING

The controlling shareholders have entered into a deed on non-competition dated 21 September 2017 in favour of the Company (for itself and as trustee for each of the subsidiaries of the Group) (the "**Deed of Non-competition**"). Each of the controlling shareholders has made an annual declaration to the Company that since the Listing Date and up to 31 March 2019, he/it has complied with the terms of non-competition undertakings (the "**Non-Competition Undertakings**") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests and short positions in the Shares, underlying shares 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 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 “**Mode Code**”) in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name	Capacity/nature	Total number of Shares interested	Percentage of Shares in issued
Mr. Li Cheuk Kam	Interest in a controlled corporation (Note)	484,998,000	51.94%

Note: The 484,998,000 Shares are held by Colourfield Global Limited (“**Colourfield Global**”). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the sole director of Colourfield Global.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Total number of Shares interested	Percentage of Shares in issued
Mr. Li Cheuk Kam	Colourfield Global	Beneficial owner (Note)	5	100%

Note: The 484,998,000 Shares are held by Colourfield Global Limited (“**Colourfield Global**”). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the sole director of Colourfield Global.

(iii) Short position

As at 31 March 2019, none of the Directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Shares of the Company

Name	Capacity/nature	Total number of Shares interested	Percentage of Shares in issued
Colourfield Global	Beneficial owner (Note 1)	484,998,000	51.94%
Ms. Chau Man Chun	Interest of spouse (Note 2)	484,998,000	51.94%
Great Pride Global Limited	Beneficial Owner (Note 3)	190,002,000	20.35%
Mr. Ho Chun Shu	Interest in a controlled corporation (Note 4)	190,002,000	20.35%

Notes:

- 484,998,000 Shares are beneficially owned by Colourfield Global, which is wholly-owned by Mr. Li Cheuk Kam.
- Ms. Chau Man Chun is the spouse of Mr. Li Cheuk Kam and is deemed or taken to be interest in all the Shares in which Mr. Li Cheuk Kam has, or is deemed to have, an interest for the purposes of the SFO.
- 190,002,000 Shares are beneficially owned by Great Pride Global Limited which is wholly-owned by Mr. Ho Chun Shu.
- 190,002,000 Shares are held by Great Pride Global Limited. Mr. Ho Chun Shu beneficially owns 100% of the entire issued share capital of Great Pride Global Limited and is deemed, or taken to be, interested in the Shares held by Great Pride Global Limited for the purposes of the SFO.

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme of the Company, at no time during the Reporting Period was the Company, its or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the Chief Executive (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The approximate percentages of revenue and cost of services during the year ended 31 March 2019 attributable to the Group's major customers and suppliers are as follows:

Revenue

— the largest customer	32.9%
— five largest customers	90.2%

Purchase

— the largest supplier	15.0%
— five largest suppliers	53.8%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the top five largest customers nor suppliers during the year ended 31 March 2019.

KEY PERFORMANCE INDICATORS

The following table sets forth key performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended 31 March	
	2019	2018
Current Ratio (Note 1)	3.9	4.6
Gearing ratio (Note 2)	3.4%	3.3%
Return on total assets (Note 3)	-15.4%	4.6%
Return on equity (Note 4)	-19.9%	5.8%
Interest coverage (Note 5)	(122.4)	32.0

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
2. Gearing ratio is calculated based on the total debts (defined as the sum of the amounts due to a director, bank borrowings and obligations under finance leases) divided by the total equity as at the end of each reporting period and multiplied by 100%.
3. Return on total assets is calculated by the (loss) profit attributable to owners of our Company for the year divided by the total assets as at the end of each reporting period and multiplied by 100%.
4. Return on equity is calculated by the (loss) profit attributable to owners of our Company for the year divided by the total equity as at the end of each reporting period and multiplied by 100%.
5. Interest coverage is calculated by the (loss) profit before interest and tax divided by the interest for the respective year.

DIRECTORS' REPORT

Current ratio

The Group's current ratio decreased from approximately 4.6 times as at 31 March 2018 to approximately 3.9 times as at 31 March 2019. Such decrease was primarily due to the decrease in bank balances and cash as at 31 March 2019.

Gearing ratio

The Group's gearing ratio remain stable at approximately 3.4% and 3.3% as at 31 March 2019 and 2018 respectively.

Return on total assets and return on equity

The Group's return on total assets decreased from approximately 4.6% as at 31 March 2018 to negative return on total assets of approximately 15.4% as at 31 March 2019 and return on equity decreased from approximately 5.8% as at 31 March 2018 to negative return on equity of approximately 19.9% as at 31 March 2019 respectively. Such decrease was primarily due to the decrease in profit for the year ended 31 March 2019 resulting from the operation loss were incurred during the year ended 31 March 2019.

Interest coverage

The Group's interest coverage from approximately 32.0 times as at 31 March 2018 to negative interest coverage of approximately 122.4 times as at 31 March 2019. Such decrease was primarily due to the operation loss were incurred during the year ended 31 March 2019.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 29 to the consolidated financial statements of this annual report, and none of which constitute a disclosable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

MARKET CAPITALISATION

As at 31 March 2019, the market capitalisation of the listed securities of the Company was approximately HK\$550,912,500 based on the total number of 933,750,000 issued shares of the Company and the closing price of HK\$0.59 per share.

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT SCHEME

The Group participates in a mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes for the year ended 31 March 2019.

DIRECTORS' REPORT

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. Chan Chung Kik, Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. The Audit Committee has reviewed the audited financial statements for the year ended 31 March 2019 in conjunction with the Company's auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE CODE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 13 to 22 in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group during the Reporting Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognises its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with the laws and regulations regarding environmental protection and adopted effective environmental practices to ensure that our business meet the required standards and ethics in respect of environmental protection. Information on environmental policies and performance of the Group are set out in the section headed "Environment, Social and Governance Report" on pages 23 to 43 in this annual report.

DIVIDEND POLICY

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account a number of factors, including the financial performance, the distributable reserves, the operations and liquidity position, the current and future development plans of the Company and any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

DIRECTORS' REPORT

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

By Order of the Board

Wing Chi Holdings Limited

Li Cheuk Kam

Chairman

Hong Kong, 6 June 2019

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

To the Members of

WING CHI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wing Chi Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 59 to 127, 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 (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 matters identified in our audit are summarised as follows:

- Accounting for construction contracts
- Impairment of trade receivables and contract assets

INDEPENDENT AUDITOR'S REPORT

Accounting for construction contracts

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 73 to 77.

The key audit matter	How the matter was addressed in our audit
<p>The Group recorded revenue from the provision of foundation and site formation works in Hong Kong approximately HK\$381,551,000 for the year ended 31 March 2019.</p> <p>Contract revenue is recognised progressively over time using the output method, based on direct measurements of the value of services delivered and the estimated total revenue for the contracts entered into by the Group. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.</p> <p>Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.</p> <p>We identified accounting for construction contracts as a key audit matter because the estimation of the total contract revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.</p>	<p>We have assessed the design, implementation and operating effectiveness of key internal controls over the contract revenue recognition processes.</p> <p>We have obtained a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements and certifications referred to by management in its assessment of the estimated costs to completion.</p> <p>We have assessed whether the construction revenue and cost recognised was reasonable through the inspection of the certificate of completion stage issued by customers and critically challenged the forecasted costs to complete, contract costs, and the completeness and validity of provisions.</p> <p>We have assessed reliability of management's assessment in budgeted costs by considering the historical actual costs and estimation of budgeted costs of completed projects.</p>

INDEPENDENT AUDITOR'S REPORT

Impairment of trade receivables and contract assets

Refer to notes 19 and 18 to the consolidated financial statements and the accounting policies on pages 82 to 86.

The key audit matter

As at 31 March 2019, the Group has trade receivables and contract assets derived from construction contracts of approximately HK\$12,766,000 and HK\$112,160,000 respectively.

We identified the impairment of trade receivables and contract assets as a key audit matter due to the significance to the Group's consolidated financial statements and the involvement of subjective judgement and management estimates based on the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

How the matter was addressed in our audit

Our procedures were designed to obtain and review the management's assessment of the impairment of trade receivables and contract assets.

We have understood the key controls on how the management estimates the loss allowance for trade receivables and contract assets.

We have tested the accuracy of the ECL adjustment made by the Group as at 1 April 2018 on initial adoption of HKFRS 9 and the information used by management to develop the provision matrix, including trade receivables ageing analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant contracts, invoices and other supporting documents.

We have challenged management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 1 April 2018 and 31 March 2019, including the reasonableness of management's grouping of trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Wing Kit.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong
6 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	7	392,539	535,507
Cost of sales		(404,921)	(481,009)
Gross (loss) profit		(12,382)	54,498
Other income and gains	8	1,251	1,409
Administrative expenses		(21,190)	(38,199)
Finance costs	9	(264)	(554)
(Loss) profit before taxation		(32,585)	17,154
Income tax expense	10	(1,922)	(5,165)
(Loss) profit and total comprehensive (expense) income for the year	11	(34,507)	11,989
(Loss) earnings per share:			
Basic and diluted	15	(3.7) cents	1.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Plant and equipment	16	34,065	24,902
Investment property	17	7,600	6,930
Deposits paid for acquisition of plant and equipment		–	2,222
		41,665	34,054
Current assets			
Amounts due from customers for contract work	18	–	83,030
Contract assets	18	112,160	–
Trade and other receivables	19	14,735	43,215
Restricted bank deposits	20	4,240	10,869
Bank balances and cash	20	51,332	89,496
		182,467	226,610
Current liabilities			
Amounts due to customers for contract work	18	–	1,793
Trade and other payables	21	42,108	41,887
Bank borrowings	22	2,025	2,461
Obligations under finance leases — due within one year	23	2,482	1,868
Tax payable		415	1,084
		47,030	49,093
Net current assets		135,437	177,517
Total assets less current liabilities		177,102	211,571
Non-current liabilities			
Obligations under finance leases — due after one year	23	1,290	2,454
Deferred tax liabilities	24	2,800	1,598
		4,090	4,052
Net assets		173,012	207,519
Capital and reserves			
Share capital	25	9,338	9,338
Reserves		163,674	198,181
		173,012	207,519

The consolidated financial statements on pages 59 to 127 were approved and authorised for issue by the board of directors on 6 June 2019 and are signed on its behalf by:

Li Cheuk Kam
Director

Li Wai Fong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK\$'000	Share Premium HK\$'000	Merger reserve (Note) HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017	–	–	10	70,589	70,599
Profit and total comprehensive income for the year	–	–	–	11,989	11,989
Capitalisation issue of shares (note 25b)	6,750	(6,750)	–	–	–
Issue of ordinary shares in connection with the share offer of the Company (note 25c)	2,250	114,750	–	–	117,000
Issue of ordinary shares in connection with the exercise of over-allotment options (note 25d)	338	17,212	–	–	17,550
Share issue expenses	–	(9,619)	–	–	(9,619)
At 31 March 2018 and 1 April 2018	9,338	115,593	10	82,578	207,519
Loss and total comprehensive expense for the year	–	–	–	(34,507)	(34,507)
At 31 March 2019	9,338	115,593	10	48,071	173,012

Note:

Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(32,585)	17,154
Adjustments for:		
Bank interest income	(153)	(153)
Finance costs	264	554
Gain on disposal of plant and equipment	(200)	(136)
Impairment loss on trade receivables	339	–
Fair value gain on investment property	(670)	(630)
Government subsidy	–	(249)
Depreciation of plant and equipment	12,065	9,127
Operating cash flows before movements in working capital	(20,940)	25,667
Increase in amounts due from customers for contract work	–	(47,578)
Decrease in amounts due to customers for contract work	–	(1,623)
Increase in contract assets	(2,926)	–
Decrease in contract liabilities	(1,793)	–
Decrease (increase) in trade and other receivables	1,937	(12,002)
Increase in trade and other payables	221	18,380
Decrease (increase) in restricted bank deposits	6,629	(10,869)
Cash used in operations	(16,872)	(28,025)
Income taxes paid	(1,389)	(8,142)
NET CASH USED IN OPERATING ACTIVITIES	(18,261)	(36,167)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(18,249)	(10,209)
Deposits paid for acquisition of plant and equipment	–	(2,222)
Proceeds from disposal of plant and equipment	1,243	1,430
Government subsidy received	–	249
Interest received	153	153
NET CASH USED IN INVESTING ACTIVITIES	(16,853)	(10,599)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares in connection with the share offer of the Company	–	117,000
Proceeds from issue of ordinary shares in connection with the exercise of over-allotment options	–	17,550
Share issue expenses	–	(9,619)
Repayments of bank borrowings	(436)	(5,836)
Repayments of obligations under finance leases	(2,350)	(2,548)
Repayments to a director	–	(1,059)
Interest paid	(264)	(554)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(3,050)	114,934
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,164)	68,168
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	89,496	21,328
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	51,332	89,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

Wing Chi Holdings Limited (“**the Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2017. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate holding company and immediate holding company is Colourfield Global Limited, a limited company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Li Cheuk Kam (the “**Controlling Shareholder**”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machineries leasing.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”).

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), amendments and Interpretations (“**Int(s)**”), issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Application of new and amendments to HKFRSs

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
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 Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

2.1 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 11 Construction Contracts, HKAS 18 Revenue and the related interpretations. Details are described below.

The Group recognises revenue for the provision of foundation and site formation works which arise from contracts with customers.

The Group’s accounting policies for its revenue streams are disclosed in detail in Note 3 below.

The impact of transition to HKFRS 15 was insignificant on the retained profits at 1 April 2018.

The amount of adjustments for each financial statement line item of the consolidated statement of financial position at 1 April 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 March 2018 HK\$'000	Impact on adoption of HKFRS 15- Reclassification HK\$'000	Carrying amount as restated before adoption of HKFRS 9 at 1 April 2018 HK\$'000
Current assets				
Amounts due from customers for				
contract work	a	83,030	(83,030)	–
Trade and other receivables	b	43,215	(26,204)	17,011
Contract assets	a, b	–	109,234	109,234
Current liabilities				
Amounts due to customers for contract work	c	(1,793)	1,793	–
Contract liabilities	c	–	(1,793)	(1,793)

Notes:

- (a) In relation to construction contracts previously accounted for 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. Unbilled revenue of approximately HK\$83,030,000 arising from the construction contracts were reclassified from amounts due from customers for contract work to contract assets as at 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Notes: (Continued)

- (b) At the date of initial application, retention receivables of approximately HK\$26,204,000, arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over the period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets as at 1 April 2018.
- (c) The amounts due to customers for contract work of approximately HK\$1,793,000 were reclassified to contract liabilities as at 1 April 2018. Contract liabilities represented the Group’s obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following tables summarise the estimated impacts of applying HKFRS 15 on the consolidated statement of financial position at 31 March 2019 and the consolidated statement of cash flows for the year ended 31 March 2019, by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included.

Impact on the consolidated statement of financial position as at 31 March 2019:

	Notes	As reported HK\$'000	Impact of adopting HKFRS 15 HK\$'000	Amount without adoption of HKFRS 15** HK\$'000
Current assets				
Amounts due from customers				
for contract work	a	–	89,696	89,696
Trade and other receivables	b	14,735	22,464	37,199
Contract assets	a, b	112,160	(112,160)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (Continued)

Impact on the consolidated statement of cash flows for the year ended 31 March 2019:

		As reported	Impact of	Amount
	Notes	HK\$'000	adopting	without
			HKFRS 15	adoption of
			HK\$'000	HKFRS 15**
				HK\$'000
Increase in amounts due from customers				
for contract work	a	–	(6,666)	(6,666)
Decreases in trade and other receivables	b	1,937	3,740	5,677
Increase in contract assets	a, b	(2,926)	2,926	–
Decrease in contract liabilities	c	(1,793)	1,793	–
Decrease in amounts due to customer				
for contract work	c	–	(1,793)	(1,793)

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

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes 2.1(a) to (c) above for describing the adjustments made to the consolidated statement of financial position at 1 April 2018 upon adoption of HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

2.2 HKFRS 9 Financial instruments

HKFRS 9 replaces the provision of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profits and other components of equity as at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement (“**HKAS 39**”). Details are described below.

The Group’s accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

(a) **Classification and measurements**

The directors of the Company reviewed and assessed the Group’s existing financial assets and financial liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

(b) **Loss allowance for expected credit losses (“ECL”)**

The adoption of HKFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and revised HKFRSs issued 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 ⁴
Amendments to HKFRS 3	Definition of a Business ³
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 ⁵
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
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
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments ¹

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

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

³ Effective for business 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.

⁴ Effective for annual periods beginning on or after 1 January 2021.

⁵ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$20,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence 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 upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group’s result but certain portion of these lease commitments and new lease commitment in future will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair values, at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

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 where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries 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.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

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

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Plant and equipment

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

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of 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 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and short term deposits, as defined above.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses 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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Revenue recognition

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)

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 obligations is transferred to customers.

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

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

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

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

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 liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)

Contract assets and contract liabilities (Continued)

The Group recognised revenue from the following major sources:

- Provision of foundation and site formation works (Construction contract)
- Machineries leasing

Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on an asset under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with an onerous contract. An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

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

Output method

After 1 April 2018, construction contracts will continue to be recognised over time, using the output method for measuring progress, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Groups performance in transferring control of services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)

Contract costs

The Group incurs costs (including labour costs, utility expenses, materials and consumables and others) to fulfill 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 recognised 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.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 March 2018

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business.

The Group's policy for recognition of revenue from foundation and site formation works is described in the accounting policy headed "Construction contracts" below.

Machinery leasing income and rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers. 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 advance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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.

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

Employee benefits

Retirement benefits cost

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “(loss) profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 base 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 assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

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.

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group’s investment property portfolios and concluded that none of the Group’s investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the “sale” presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on the fair value changes of the investment property on disposal.

Current and deferred taxes are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Under HKFRS 9 (applicable on or after 1 April 2018)

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

- (i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, 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.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income and gains" line item (note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-months ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 1 year past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'low risk'. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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).

The Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, etc, 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. Any recoveries made are recognised in profit or loss.

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Impairment of financial assets (Continued)

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 party.

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 instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Under HKAS 39 (applicable before 1 April 2018)

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 April 2018) (Continued)

Impairment loss on financial assets

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

For all financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade and other 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 credit period of 15 to 75 days (2018: 15 to 60 days), observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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 trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 April 2018) (Continued)

Impairment loss on financial assets (Continued)

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

The Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 April 2018) (Continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Fair value measurement

When measuring 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the Group's provision of foundation and site formation works business, the directors of the Company has assessed that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised the revenue over the construction period.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment property, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the Group is not subject to any income taxes on disposal of its investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Key sources of estimation uncertainty

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

Measurement of value of construction works

The 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 1 to 2 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, disputes and liquidation damages. 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 construction works performed by the Group would be certified by the independent quantity surveyors of 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 construction progress and the certification issued by the customers.

Onerous contracts

The Group determines whether contracts with customers are onerous contracts based on the latest available budgets of those contracts with reference to the overall contracts consideration of each contract which requires management's best estimates and judgements. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and budgeted costs. Any change in the estimates of construction revenue or budgeted cost will affect the amount of foreseeable losses arising from onerous contracts recognised in the profit or loss in the year of the change. No provision was made for the year ended 31 March 2019 (2018: nil).

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration of those grouped debtors' past-due status and their ageing information as they have similar loss patterns and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The information about the ECL on the Group's trade receivables and contract assets are disclosed in notes 19 and 18 respectively.

The carrying amount of trade receivables at 31 March 2019 is approximately HK\$12,766,000 (1 April 2018: HK\$11,984,000), net of accumulated loss allowance of approximately HK\$339,000 (1 April 2018: nil).

The carrying amount of contract asset at 31 March 2019 is approximately HK\$112,160,000 (1 April 2018: HK\$109,234,000), no loss allowance was provided during the year (1 April 2018: nil).

Fair value of investment property

Investment property is stated at fair value based on the valuation performed by independent professional valuer. In determining the fair value, the valuer have based on a method of valuation which involves certain estimated of market conditions. In relying on the valuation report, the directors of the Company have exercised their estimation and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment property being recognised in profit or loss. The carrying amount of investment property measured at fair value at 31 March 2019 is approximately HK\$7,600,000 (2018: HK\$6,930,000).

Impairment of plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amounts of its plant and equipment with finite useful lives of approximately HK\$34,065,000 (2018: HK\$24,902,000) and identified there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections and discount rates. Based on the estimated recoverable amounts, no impairment has been recognised in profit or loss (2018: nil).

5. 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 from the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for prior year.

The capital structure of the Group consists of bank borrowings disclosed in note 22, obligations under finance leases disclosed in note 23, net of restricted bank deposits and bank balances and cash disclosed in note 20, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new borrowings or the redemption of existing borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Financial assets at amortised cost/loans and receivables (including bank balances and cash)	69,280	139,324
Financial liabilities		
Financial liabilities at amortised cost	47,867	48,651

Financial risk management objectives and policies

The Group's major financial assets and financial liabilities include trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate restricted bank deposits (see note 20), fixed-rate bank borrowings (see note 22) and fixed-rate obligations under finance leases (see note 23). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 20) and variable-rate bank borrowings (see note 22). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the HKD Prime lending rate (the "Prime rate") arising from the Group's Hong Kong dollar denominated bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The exposure to interest rates for variable-rate bank balances at the end of the reporting period is not material to the Group. As no significant impacts on the results of the Group would arise from possible changes in interest rates for variable-rate bank balances, accordingly sensitivity analysis in this respect is not presented.

The sensitivity analysis below has been determined based on the exposure of the Group's variable-rate bank borrowings to interest rates at the end of the reporting period. The analysis is prepared assuming that the financial instruments outstanding as at 31 March 2019 were outstanding for the whole reporting period. A 50 basis points (2018: 50 basis points) increase or decrease is used for the year ended 31 March 2019 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 (2018: 50 basis points) higher/lower for the year ended 31 March 2019 and all other variables were held constant, the Group's post-tax loss would increase/decrease by approximately HK\$8,000 for the year ended 31 March 2019 (2018: post-tax profit would decrease/increase by HK\$9,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

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

The credit risk of our Group mainly arises from bank balances and cash, trade and other receivables and restricted bank deposits. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 31 March 2018, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 April 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL with significant balances or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered the deposits and other receivables to be low credit risk and thus measurement of the loss allowance was limited to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds and restricted bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the measurement of the loss allowances was limited to 12-month ECL.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating
- internal credit rating
- actual or expected significant adverse change in business, financial or economic conditions that are expected to cause a significant change to the borrowers' ability to make its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of thirdparty guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management team to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (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	Lifetime ECL — not credit-impaired	12-month ECL
Watchlist	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit quality of the Group's financial assets and contract assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed below.

31 March 2019

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Trade receivables	Low risk	lifetime ECL (not credit-impaired)	11,613	–	11,613
– collectively assessed	Watchlist	lifetime ECL (not credit-impaired)	1,155	(2)	1,153
	Loss	lifetime ECL (credit-impaired)	337	(337)	–
Contract assets	Low risk	lifetime ECL (not credit-impaired)	112,160	–	112,160
– collectively assessed					
Deposits and other receivable	Low risk	12-month ECL	942	–	942
				(339)	

As at 31 March 2019, the Group does not have any concentration of credit risk (2018: nil) of the total trade receivables due from the Group's largest customer while 75% (2018: 50%) of the total trade receivables was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% (2018: 100%) of the total trade receivables as at 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	At 31 March 2019				
	On demand or within 1 year	1-2 years	2-5 years	Total contractual undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities					
Trade and other payables	42,070	–	–	42,070	42,070
Bank borrowings (Note 22)	2,025	–	–	2,025	2,025
Obligations under finance leases (Note 23)	2,588	1,206	105	3,899	3,772
	46,683	1,206	105	47,994	47,867

	At 31 March 2018				
	On demand or within 1 year	1-2 years	2-5 years	Total contractual undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities					
Trade and other payables	41,868	–	–	41,868	41,868
Bank borrowings (Note 22)	2,461	–	–	2,461	2,461
Obligations under finance leases (Note 23)	2,030	1,957	575	4,562	4,322
	46,359	1,957	575	48,891	48,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Note:

Bank borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 31 March 2019, the aggregate undiscounted principal amounts of bank borrowings with a repayment on demand clause amounted to approximately HK\$2,025,000 (2018: HK\$2,461,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$2,371,000 (2018: HK\$2,847,000).

The directors of the Company believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

Liquidity table	Within 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
Bank borrowings						
At 31 March 2019	193	193	579	1,406	2,371	2,025
At 31 March 2018	494	192	576	1,585	2,847	2,461

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurement

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their immediate or short-term maturities.

The directors of the Company also consider that the carrying amounts of non-current financial liability recorded at amortised cost in the consolidated financial statements approximate to its corresponding fair values due to insignificant impact of discounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from provision of foundation and site formation works and machineries leasing for the year. An analysis of the Group's revenue for the year is as follows:

	2019 HK\$'000	2018* HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 March 2019:		
Disaggregated of revenue by services lines:		
— Provision of foundation and site formation works	381,551	519,064
Revenue from other sources		
— Machineries leasing	10,988	16,443
	392,539	535,507

* The amounts for the year ended 31 March 2018 were recognised under HKAS 11, HKAS 18 and related interpretation.

Disaggregation of revenue by timing of recognition:

	2019 HK\$'000
Timing of revenue recognition	
Over Time	381,551
Total revenue from contracts with customers	381,551

Transaction price allocated to the remaining performance obligations

As at 31 March 2019, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$149,242,000. The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12 months during the year ended 31 March 2020.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group's operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works and machineries leasing. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers presented based on the location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue of the Group of the corresponding year are as follows:

	2019 HK\$'000	2018 HK\$'000
Customer A	129,073	100,447
Customer B	88,724	57,725
Customer C	58,467	N/A*
Customer D	39,291	271,285

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

8. OTHER INCOME AND GAINS

	2019 HK\$'000	2018 HK\$'000
Bank interest income	153	153
Gain on disposal of plant and equipment	200	136
Fair value gain on investment property	670	630
Rental income	228	161
Government subsidy (<i>Note</i>)	-	249
Sundry income	-	80
	1,251	1,409

Note:

Government subsidy was received for the year ended 31 March 2018 (2019: nil) under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" upon disposal of certain motor vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

9. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interests on:		
– bank borrowings	59	324
– obligations under finance leases	205	230
	264	554

10. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Current year taxation		
Hong Kong Profits Tax	720	5,126
Deferred taxation (note 24)	1,202	39
	1,922	5,165

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI for the year ended 31 March 2019 (2018: nil).

The income tax charge for the year ended 31 March 2019 to Hong Kong Profits Tax has been relieved by approximately HK\$21,000 as a result of tax losses brought forward from previous years (2018: nil).

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 gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 millions of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 millions will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the year ended 31 March 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. INCOME TAX EXPENSE (Continued)

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

	2019 HK\$'000	2018 HK\$'000
(Loss) profit before taxation	(32,585)	17,154
Tax calculated at the tax rate of 16.5% (2018: 16.5%)	(5,377)	2,830
Tax effect of expenses not deductible for tax purpose	639	2,456
Tax effect of income not taxable for tax purpose	(149)	(118)
Tax effect of deductible temporary differences not recognised	272	36
Tax effect of tax losses not recognised	6,763	21
Utilisation of tax losses previously not recognised	(21)	–
Effect of two-tiered profits tax rates regime	(165)	–
Effect of tax exemption granted (<i>note</i>)	(40)	(60)
Income tax expense for the year	1,922	5,165

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2018/2019 by 75% (2017/2018: 75%), subject to a ceiling of HK\$20,000 (2018: HK\$30,000) per company.

Details of deferred taxation are set out in note 24.

11. (LOSS) PROFIT FOR THE YEAR

	2019 HK\$'000	2018 HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (<i>note 12</i>)	2,662	2,836
Staff costs (excluding directors' and chief executive's emoluments)		
– Salaries, wages, allowances and other benefits	72,376	66,239
– Contributions to retirement benefits scheme	2,826	2,226
Total staff costs	75,202	68,465
Impairment loss on trade receivables	339	–
Auditor's remuneration	850	750
Depreciation of plant and equipment	12,065	9,127
Minimum lease payments paid under operating lease in respect of rental office premises	342	856
Listing expenses	–	16,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of emoluments paid or payable to each of the directors and chief executive of the Company are as follows:

	Year ended 31 March 2019			
	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:				
Executive directors				
Mr. Li Cheuk Kam (" Mr. Li ") (Note i)	–	600	18	618
Mr. Li Wai Fong	–	360	18	378
Mr. Li Kun Yee (Note iv)	–	80	3	83
Mr. Liauw Hung	–	1,002	18	1,020
Non executive director				
Mr. Poon Wai Kong (Note v)	113	–	–	113
Independent non-executive directors				
Mr. Wong Chik Kong (Note iii)	150	–	–	150
Mr. Chan Chung Kik, Lewis (Note iii)	150	–	–	150
Mr. Lee Kwok Lun (Note iii)	150	–	–	150
	563	2,042	57	2,662

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For the year ended 31 March 2019

12. DIRECTOR AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 March 2018			
	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:				
Executive directors				
Mr. Li Cheuk Kam ("Mr. Li") (Note i)	–	700	18	718
Mr. Li Wai Fong (Note ,ii)	–	291	12	303
Mr. Li Kun Yee (Note ii, iv)	–	410	17	427
Mr. Liauw Hung (Note ii)	–	1,169	18	1,187
Independent non-executive directors				
Mr. Wong Chik Kong (Note iii)	67	–	–	67
Mr. Chan Chung Kik, Lewis (Note iii)	67	–	–	67
Mr. Lee Kwok Lun (Note iii)	67	–	–	67
	201	2,570	65	2,836

Notes:

- (i) Mr. Li is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (ii) Appointed on 25 May 2017.
- (iii) Appointed on 21 September 2017.
- (iv) Resigned on 1 June 2018.
- (v) Appointed on 12 October 2018.

Neither the chief executive nor any of the directors of the Company have waived or agreed to waive any emoluments during the year ended 31 March 2019 (2018: nil).

Neither the chief executive nor any of the directors of the Company have received any inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 March 2019 (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

13. EMPLOYEES EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) of them were the directors and/or the chief executive of the Company. The emoluments of the directors and chief executive of the Company are included in the disclosures in note 12 above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and other benefits	2,038	3,114
Contributions to retirement benefits scheme	42	52
	2,080	3,166

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
HK\$ nil to HK\$1,000,000	3	1
HK\$1,000,001–1,500,000	–	2

None of the five highest paid individuals have received any inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 March 2019 (2018: nil).

14. DIVIDENDS

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

15. (LOSS) EARNINGS PER SHARE

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

	2019 HK\$'000	2018 HK\$'000
(Loss) earnings:		
– (Loss) profit for the year attributable to the owners of the Company	(34,507)	11,989
Number of shares		
– Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	933,750,000	789,503,425

Diluted (loss) earnings per share

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2019 and 2018.

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16. PLANT AND EQUIPMENT

	Machineries and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Computer equipment HK\$'000	Total HK\$'000
COST					
At 1 April 2017	44,310	6,247	169	29	50,755
Additions	8,713	2,556	–	140	11,409
Disposals	(4,414)	(864)	–	–	(5,278)
At 31 March 2018 and 1 April 2018	48,609	7,939	169	169	56,886
Additions	20,264	2,000	–	7	22,271
Disposals	(1,390)	–	–	–	(1,390)
At 31 March 2019	67,483	9,939	169	176	77,767
ACCUMULATED DEPRECIATION					
At 1 April 2017	23,978	2,841	21	1	26,841
Charge for the year	7,883	1,131	84	29	9,127
Eliminated on disposals	(3,450)	(534)	–	–	(3,984)
At 31 March 2018 and 1 April 2018	28,411	3,438	105	30	31,984
Charge for the year	10,283	1,684	64	34	12,065
Eliminated on disposals	(347)	–	–	–	(347)
At 31 March 2019	38,347	5,122	169	64	43,702
CARRYING VALUES					
At 31 March 2019	29,136	4,817	–	112	34,065
At 31 March 2018	20,198	4,501	64	139	24,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. PLANT AND EQUIPMENT (Continued)

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

Machineries and equipment	20% per annum
Motor vehicles	20% per annum
Leasehold improvement	Over the shorter of lease term or 2 years
Computer equipment	20% per annum

The carrying values of plant and equipment held under finance leases were as follows:

	2019 HK\$'000	2018 HK\$'000
Machineries and equipment	3,525	4,945
Motor vehicles	1,778	369
	5,303	5,314

17. INVESTMENT PROPERTY

	HK\$'000
FAIR VALUE	
At 1 April 2017	6,300
Increase in fair value recognised in profit or loss	630
At 31 March 2018 and 1 April 2018	6,930
Increase in fair value recognised in profit or loss	670
As at 31 March 2019	7,600

The Group's property interest held under operating lease to earn rentals or for capital appreciation purposes is measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 March 2019 and 31 March 2018 have been arrived at on the basis of a valuation carried out on that date by Ascent Partners Valuation Service Limited, independent qualified professional valuers not connected with the Group. Ascent Partners Valuation Service Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of valuation techniques and assumptions are discussed below. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is its current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. INVESTMENT PROPERTY (Continued)

The Group's investment property has been pledged to secure banking facilities granted to the Group.

An analysis of the Group's investment property that is measured subsequent to initial recognition at fair value grouped into fair value hierarchy level 2 based on the degree to which the inputs to fair value measurement is observable and the information about how the fair value is determined (in particular, the valuation technique and key inputs used) as follows:

Fair value hierarchy		Fair value as at 31 March 2019	Fair value as at 31 March 2018	Valuation technique and key inputs
Investment Property	Level 2	HK\$7,600,000	HK\$6,930,000	Market Comparison Approach — by reference to recent selling price of comparable properties on a price per square feet basis using market data which is publicly available and adjust to reflect the conditions and locations of the property.

18. CONTRACT ASSETS/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT LIABILITIES

(a) Contract assets

	At 31 March 2019 HK\$'000	At 1 April 2018 HK\$'000	At 31 March 2018 HK\$'000
Analysed as current:			
Unbilled revenue of construction contracts (note a)	89,696	83,030	—
Retention receivables of construction contracts (note b)	22,464	26,204	—
Total contract assets	112,160	109,234	—
Retention receivables of construction contracts			
Due within one year	20,585	20,447	—
Due after one year	1,879	5,757	—
	22,464	26,204	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

18. CONTRACT ASSETS/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but 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 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 receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to 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 under current assets because the Group expects to realise them in its normal operating cycle.

For contract assets, the Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL by using the provision matrix similar with the approach of trade receivables. After the assessment by the directors of the Company, the allowance for ECL on contract assets are insignificant to the Group as at 1 April 2018 and 31 March 2019.

(b) 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	819,991
Less: progress billings	(738,754)
	81,237
Analysed for reporting purposes as:	
Amounts due from customers for contract work	83,030
Amounts due to customers for contract work	(1,793)
	81,237

As at 31 March 2018, retentions held by customers for contract work amounted to approximately HK\$26,204,000 as set out in note 18(a). Retention monies withheld by customers for contract work will be released after the completion of the maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

On 1 April 2018, unbilled revenue of approximately HK\$83,030,000 was reclassified to contract assets after adoption of HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

18. CONTRACT ASSETS/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT LIABILITIES (Continued)

(b) Amounts due from (to) customers for contract work (Continued)

On 1 April 2018, the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers of approximately HK\$1,793,000 were reclassified to contract liabilities after adoption of HKFRS 15.

(c) Contract liabilities

As at 1 April 2018, contract liabilities of approximately HK\$1,793,000 under HKFRS 15 represented the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers. Such contract liabilities were all recognised as revenue during the year ended 31 March 2019.

19. TRADE AND OTHER RECEIVABLES

	At 31 March 2019 HK\$'000	At 1 April 2018 HK\$'000	At 31 March 2018 HK\$'000
Receivables at amortised cost comprise:			
Trade receivables	13,105	11,984	11,984
Retention receivables (Note)	–	–	26,204
Loss allowance	(339)	–	–
	12,766	11,984	38,188
Other receivables	879	205	205
Prepayments and deposits	1,090	4,822	4,822
	14,735	17,011	43,215

Note: Except for the amounts of approximately HK\$5,757,000 as at 31 March 2018, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included under current assets as the Group expects to realise these within its normal operating cycle.

On 1 April 2018, retention receivables of approximately HK\$26,204,000 were reclassified to contract asset after adoption of HKFRS 15.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 75 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
0 to 30 days	11,613	6,064
31 to 60 days	872	807
61 to 180 days	281	1,243
181 to 365 days	–	3,536
More than 365 days	–	334
	12,766	11,984

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For the year ended 31 March 2019

19. TRADE AND OTHER RECEIVABLES (Continued)

The aged analysis of trade receivables which were past due but not impaired is set out below:

	2018 HK\$'000
Past due:	
1 to 30 days	807
31 to 60 days	640
61 to 180 days	645
181 to 365 days	3,494
More than 365 days but less than 2 years	334
	5,920

Trade receivables that were neither past due nor impaired related to customers that have no recent history of default payment.

As at 31 March 2018, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$5,920,000 which were past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company consider that there has not been a significant change in credit quality of the relevant customers and there is no recent history of default, therefore the amounts are considered to be recoverable.

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate, at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

	lifetime ECL (not credit-impaired) HK\$'000	lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 31 March 2018	–	–	–
Impact on adoption of HKFRS 9	–	–	–
At 1 April 2018	–	–	–
Increase during the year	2	337	339
At 31 March 2019	2	337	339

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For the year ended 31 March 2019

19. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 March 2019, the expected credit losses on trade receivables are estimated collectively by using a provision matrix.

For deposits and other receivables, the Company measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Company as at 1 April 2018 and 31 March 2019.

20. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The restricted bank deposits represented cash set aside by the Group in banks designated as surety bonds in favour of customers for due performance of the Group's obligations under a construction contract which is expected to be completed within one year. The balances are therefore classified as current assets. The amount will be released upon the completion of the respective construction project.

Restricted bank deposits carry interest at fixed interest rate of 1.6% per annum (2018: nil) for the year ended 31 March 2019.

Bank balances carry interest at prevailing market rates of approximately 0.001% per annum (2018: 0.001% per annum) for the year ended 31 March 2019.

21. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	24,296	18,740
Retention payables	8,574	12,812
Accrued expenses and other payables	9,238	10,335
	42,108	41,887

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	2019 HK\$'000	2018 HK\$'000
0 to 30 days	24,296	18,740

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For the year ended 31 March 2019

22. BANK BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured	2,025	2,461

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	2019 HK\$'000	2018 HK\$'000
Within one year	142	437
More than one year but not exceeding two years	146	143
More than two years but not exceeding five years	461	451
More than five years	1,276	1,430
	2,025	2,461
Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause	1,883	2,024
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	142	437
	2,025	2,461
Amounts shown under current liabilities	(2,025)	(2,461)
Amounts shown under non-current liabilities	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

22. BANK BORROWINGS (Continued)

Notes:

- (a) As at 31 March 2019, bank borrowings of approximately HK\$2,025,000 (2018: HK\$2,164,000) carried at floating interest rates of 2.5% below the Prime rate (2018: 2.0% below the prime rate). The effective interest rate of floating rate bank borrowings during the year ended 31 March 2019 was 2.6 % (2018: 2.4%) per annum.
- (b) As at 31 March 2018, bank borrowings of approximately HK\$297,000 carried at fixed interest rates of 4.0% per annum (2019: 4.0%). Such bank borrowings was fully repaid during the year ended 31 March 2019. The effective interest rate of fixed rate bank borrowings during the year ended 31 March 2019 was 4.0% per annum (2018: 4.0%).
- (c) As at 31 March 2019 and 2018, the banking facilities of the Group were fully utilised.
- (d) As at 31 March 2019 and 2018, the banking facilities of the Group were secured by the i) mortgage charge over the investment property of the Group and ii) certain property owned by a related company that is controlled by the spouse of a director of the Company, Mr. Li, Ms. Chau Man Chun which has been released during the year ended 31 March 2019.

23. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK\$'000	2018 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	2,482	1,868
Non-current liabilities	1,290	2,454
	3,772	4,322

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For the year ended 31 March 2019

23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

It is the Group's policy to lease certain of its machineries and motor vehicles under finance leases. The average lease term ranged from 3 to 5 years (2018: 3 to 5 years). The obligations under finance leases carried interest at a fixed rate from 1.7% to 2.5% (2018: 3.8% to 5.2%) per annum during the year ended 31 March 2019.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amounts payable under finance leases				
Within one year	2,588	2,030	2,482	1,868
More than one year but less than two years	1,206	1,957	1,185	1,886
More than two years but less than five years	105	575	105	568
	3,899	4,562	3,772	4,322
Less: future finance charges	(127)	(240)	N/A	N/A
Present value of obligations under finance leases	3,772	4,322		
Less: amount due for settlement within 12 months (shown under current liabilities)			(2,482)	(1,868)
Amount due for settlement after 12 months			1,290	2,454

During the year ended 31 March 2019, the Group lease certain motor vehicle (2018: machineries) with the aggregate amount of approximately HK\$1,800,000 (2018: 1,200,000) with the lease period 3 years (2018: 2 to 3 years). The fixed rate inherent in the lease is 1.7% per annum (2018: 4.8%).

During the year ended 31 March 2018, the Group entered into a finance lease agreement pursuant to which finance leasing suppliers purchased the machineries from the Group at approximately HK\$3,850,000 (2019: nil) and the Group leased back these machineries with the lease period of 3 years (2019: nil) on the date of inception. The fixed interest rate inherent in the lease is 4.8% per annum (2019: nil).

All obligations under finance leases are denominated in HK\$. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (see note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

24. DEFERRED TAXATION

Deferred tax liabilities arising from accelerated tax depreciation recognised by the Group and movements thereon during the current and prior years were as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2017	(1,559)
Charged to profit or loss (<i>note 10</i>)	(39)
At 31 March 2018 and 1 April 2018	(1,598)
Charged to profit or loss (<i>note 10</i>)	(1,202)
At 31 March 2019	(2,800)

At 31 March 2019, the Group has approximately HK\$40,985,000 unused tax losses available for offset against future profits (2018: HK\$127,000). No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 31 March 2019, the Group has deductible temporary differences of approximately HK\$1,866,000 (2018: HK\$218,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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25. SHARE CAPITAL

	Number of shares		Share capital	
	2019	2018	2019 HK\$'000	2018 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At the beginning of the year	2,000,000,000	38,000,000	20,000	380
Increase on 21 September 2017 (Note a)	–	1,962,000,000	–	19,620
At the end of the year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid				
At the beginning of the year	933,750,000	1,000	9,338	–
Capitalisation issue of shares (Note b)	–	674,999,000	–	6,750
Issue of ordinary shares in connection with the share offer of the Company (Note c)	–	225,000,000	–	2,250
Issue of ordinary shares in connection with the exercise of over-allotment options (Note d)	–	33,750,000	–	338
At the end of the year	933,750,000	933,750,000	9,338	9,338

Notes:

- Pursuant to the special resolution in writing passed by the shareholders of the Company on 21 September 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- Pursuant to the special resolution in writing passed by the shareholder of the Company on 21 September 2017, it was approved to allot and issue 674,999,000 ordinary shares of HK\$0.01 each to the Company's shareholder by way of capitalisation of approximately HK\$6,750,000 standing to the credit of the share premium account of the Company on 19 October 2017.
- In connection with the Company's placing and the public offer shares on 19 October 2017, the Company issued under a share offer a total of 225,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.52 per share resulting in gross proceeds amounting to HK\$117,000,000, HK\$2,250,000 representing the par value of the share issued credited to the Company's share capital, and approximately HK\$114,750,000, before the share issue expense, credited to the share premium account.
- On 7 November 2017, the Company issued a total of 33,750,000 ordinary shares of HK\$0.01 each at a price of HK\$0.52 per share as a result of exercise of the over-allotment options by the underwriter resulting in gross proceeds amounting to HK\$17,550,000, approximately HK\$338,000, representing the par value of the share issued credited to the Company's share capital, and approximately HK\$17,212,000 credited to the share premium account.
- All shares issued rank pari passu with all the existing shares in all respects.

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For the year ended 31 March 2019

26. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to profit or loss of approximately HK\$2,883,000 (2018: HK\$2,291,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting period.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2019 HK\$'000	2018 HK\$'000
Within one year	20	20

Operating lease payments represents rentals payable by the Group for its office premises and warehouse. Leases are negotiated and rentals are fixed for 1 year.

The Group as lessor

The investment property is expected to generate rental yield of 4% (2018: 3%) on an ongoing basis.

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

	2019 HK\$'000	2018 HK\$'000
Within one year	19	228
More than one year but less than two years	–	19
Total	19	247

28. CAPITAL COMMITMENT

	2019 HK\$'000	2018 HK\$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided for in the consolidated financial statements	–	5,538

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29. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, during the year, the Company had the following transactions with related parties:

Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2019 and 2018 are as follows:

	2019 HK\$'000	2018 HK\$'000
Short-term benefits	3,368	5,453
Post-employment benefits	93	116
	3,461	5,569

The remuneration of the directors of the Company and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

30. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2019, the Group entered into finance lease arrangements in respect of certain motor vehicle (2018: machineries) with a total capital value at the inception of the leases of approximately HK\$1,800,000 (2018: HK\$1,200,000).
- (b) During the year ended 31 March 2019, amount of approximately HK\$2,222,000 (2018: nil) purchase of the plant and equipment were settled by the deposits paid for acquisition of plant and equipment.
- (c) During the year ended 31 March 2018, the Group entered into a finance lease agreement pursuant to which finance leasing suppliers purchased the machineries from the Group at approximately HK\$3,850,000 (2019: nil) and lease back these machineries to the Group on the date of inception. The proceeds from this sale and lease back arrangement of HK\$3,850,000 (2019: nil) were used to settle the outstanding bank borrowings to the finance leasing suppliers on behalf of the Group directly.
- (d) During the year ended 31 March 2018, pursuant to the special resolution in writing passed by the shareholder of the Company on 21 September 2017, it was approved to allot and issue 674,999,000 ordinary shares of HK\$0.01 each to the Company's shareholder by way of capitalisation of approximately HK\$6,750,000 (2019: nil) standing to the credit of the share premium account of the Company on 19 October 2017.

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For the year ended 31 March 2019

31. CONTINGENT LIABILITIES

At 31 March 2019, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and criminal litigation.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the consolidated financial statements. Accordingly, no provision has been made to the consolidated financial statements.

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to written resolution of the Company passed on 21 September 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 October 2027. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The Company may not grant any options if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes exceeds 30% of the shares in issue from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

The option will be offered for acceptance for a period of not less than five trading days from the date on which the option is granted. Upon acceptance of the option, directors and eligible employees shall pay HK\$1.00 to the Company by way of consideration for the grant. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme during the years ended 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current asset			
Investments in subsidiaries		74,778	74,778
Current assets			
Trade and other receivables		31	20
Amounts due from subsidiaries		89,102	74,615
Bank balances and cash		8,924	27,197
		98,057	101,832
Current liabilities			
Trade and other payables		1,300	1,090
Net current assets		96,757	100,742
Total assets less current liabilities		171,535	175,520
Capital and reserves			
Share capital		9,338	9,338
Reserves	(a)	162,197	166,182
		171,535	175,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note (a):

Movements in reserves

	Share Premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2017 and 1 April 2017	–	74,778	(4,179)	70,599
Loss and total comprehensive expense for the year	–	–	(20,010)	(20,010)
Capitalisation issue of shares (note 25b)	(6,750)	–	–	(6,750)
Issue of ordinary shares in connection with the share offer of the Company (Note 25c)	114,750	–	–	114,750
Issue of ordinary shares in connection with the exercise of over-allotment options (note 25d)	17,212	–	–	17,212
Share issue expenses	(9,619)	–	–	(9,619)
At 31 March 2018 and 1 April 2018	115,593	74,778	(24,189)	166,182
Loss and total comprehensive expense for the year	–	–	(3,985)	(3,985)
At 31 March 2019	115,593	74,778	(28,174)	162,197

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of company	Place of incorporation or operations	Issued and fully paid ordinary share capital	Percentage of equity interest/voting power held by the Company				Principal activities
			2019		2018		
			Direct	Indirect	Direct	Indirect	
Infinite Merit Global Limited	the BVI	United State dollars ("US\$") 5	100%	-	100%	-	Investment holding
Novel Sign Investment Limited	the BVI	US\$1	-	100%	-	100%	Investment holding
Harvest Year Ventures Limited	the BVI	US\$1	-	100%	-	100%	Investment holding
Glory Ease Ventures Limited	the BVI	US\$1	-	100%	-	100%	Investment holding
Billion Talent Enterprises Limited	the BVI	US\$1	-	100%	-	100%	Investment holding
Crystal Future Global Limited	the BVI	US\$1	-	100%	-	100%	Investment holding
Lik Shing Engineering Company Limited	Hong Kong	HK\$10,000	-	100%	-	100%	Provision of foundation and site formation work and machineries leasing
Lik Shing Construction Company Limited	Hong Kong	HK\$1	-	100%	-	100%	Provision of machineries leasing
Lik Shing Construction Engineering Limited	Hong Kong	HK\$1	-	100%	-	100%	Provision of repairing service and vehicle rental service

None of the subsidiaries had any debt securities outstanding as at the end of the reporting period or at any time during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

35. 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 flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	1 April 2018 HK\$'000	Financing cash flows HK\$'000	Non-cash change New finance lease arrangement (note 30a) HK\$'000	31 March 2019 HK\$'000
Liabilities				
Bank borrowings (note 22)	2,461	(436)	–	2,025
Obligations under finance leases (note 23)	4,322	(2,350)	1,800	3,772
	6,783	(2,786)	1,800	5,797

	1 April 2017 HK\$'000	Financing cash flows HK\$'000	Non-cash changes New finance lease arrangement (note 30a) HK\$'000	Bank borrowings settled by way of proceeds of sale and lease back arrangement (note 30c) HK\$'000	31 March 2018 HK\$'000
Liabilities					
Amount due to a director	1,059	(1,059)	–	–	–
Bank borrowings (note 22)	12,147	(5,836)	–	(3,850)	2,461
Obligations under finance leases (note 23)	1,820	(2,548)	1,200	3,850	4,322
	15,026	(9,443)	1,200	–	6,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure banking facilities and finance leases granted to the Group:

	2019 HK\$'000	2018 HK\$'000
Plant and equipment (<i>note 16</i>)	5,303	5,314
Investment property (<i>note 17</i>)	7,600	6,930
	12,903	12,244

FIVE YEAR FINANCIAL SUMMARY

The financial summary of the Group for the last five year is set as follows:

	2019 HK\$'000	For the year ended 31 March			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	392,539	535,507	380,657	349,021	238,778
Cost of sales	(404,921)	(481,009)	(334,315)	(313,253)	(214,116)
Gross (loss) profit	(12,382)	54,498	46,342	35,768	24,662
Other income and gains	1,251	1,409	1,704	1,138	779
Administrative expenses	(21,190)	(38,199)	(17,655)	(10,528)	(10,088)
Finance costs	(264)	(554)	(847)	(879)	(751)
(Loss) profit before taxation	(32,585)	17,154	29,544	25,499	14,602
Income tax expense	(1,922)	(5,165)	(6,161)	(4,194)	(2,783)
(Loss) profit and total comprehensive (expense) income for the year	(34,507)	11,989	23,383	21,305	11,819
(Loss) earnings per share:					
Basic and diluted	(3.7) cents	1.5 cents	3.5 cents	3.2 cents	1.8 cents

	2019 HK\$'000	As at 31 March			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Assets and Liabilities					
Non-current assets	41,665	34,054	30,214	22,572	24,826
Current assets	182,467	226,610	87,993	70,417	54,349
Non-current liabilities	4,090	4,052	2,644	2,812	4,362
Current liabilities	47,030	49,093	44,964	42,961	48,902
Total equity	173,012	207,519	70,599	47,216	25,911

Note: The summary of the consolidated results of the Group for each of the years ended 31 March 2015, 2016 and 2017 and of the consolidated assets and liabilities of the Group as at 31 March 2015, 2016 and 2017 has been extracted from the prospectus issued on 30 September 2017 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 20 October 2017.